THE PROCEEDINGS

OF THE

INTERNATIONAL MONETARY CONFERENCE

HELD AT PARIS IN 1881.

CONDENSED AND TRANSLATED FROM THE OFFICIAL PROCÈS-VERBAUX,

WITH NOTES AND APPENDICES,

BY

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PREFACE.

I THINK that many persons who are interested in the Silver question will be glad to have a translation in English of the Proceedings of the late Bi-metallic Conference held in Paris in April, May, and July, 1881. I have therefore translated the official proceedings (Procès-Verbaux) issued by the French Government, and have condensed them, wherever it seemed to me possible to do so without omitting anything of importance; but documents, the actual text of which it is desirable to possess, such as—

(1) The list of questions drawn up by the Committee;
(2) The Memorandum on the Monetary Situation in Germany;
(3) The Declarations of the different Delegates on the part of their respective Governments; and
(4) The Appendices and Tables;

have been translated verbatim and in full.

The Conference has now (July) resumed its sittings, but it is of course impossible to say what will be the final result of its deliberations. The concessions made by the German Government in pledging themselves not to resume the sales of silver, and to call in the five-mark gold pieces and bank notes (gradually replacing them by silver); and the decision just announced by the Bank of England of holding one-fifth of its metallic reserves in silver; seem to point to the likelihood of a practical result from the labours of the Conference.

The importance of the question is so great and so pressing to all Englishmen, whose commercial prosperity

depends on the removal of the present restrictions on the use of silver, and especially to all Anglo-Indians who are both publicly and privately injured by the fall in the price of silver, that I have determined to issue this translation *in Parts*, as quickly as I am able to finish it, so that all who are interested in this question may be made aware, as soon as possible, of what has been said and done at this the latest and most important of the Monetary Conferences, and may be able to judge for themselves what hope there is of any improvement in the present very unsatisfactory state of our monetary arrangements.

The Proceedings of the first two Sittings, with their Appendices, a table of contents of the whole volume, and a complete list of the Delegates, are therefore issued in the present Part, and it is hoped that a second Part will be ready in about a fortnight.

The measure just taken by the Bank of England marks the first faltering step which England has as yet ventured to make on the road to Bi-metallism; but the change in public opinion is rapidly increasing in force; the agitation in Liverpool and in Birmingham, the conversion of Messrs. Grenfell and Hucks Gibbs, and now the action of the Bank of England, all show that the tide has turned, and that England will ere long be convinced that her opposition to Bi-metallism has been one of the chief causes of her recent commercial depression; that, if that opposition is continued, and silver be not restored to its former value, the depression will be intensified; and that before long, if she continues her present monetary policy and frustrates the efforts of France and of America, she will enter on a period of distress and disaster, to which anything which has as yet occurred is but a trifle. As

M. Cernuschi says, in his speech to the Conference, "England never departs from her traditions but with the greatest caution; she requires ten years to make an economic change."

But the ten years from 1873 are nearly complete now, and it is to be hoped that England will, long ere 1883, see to what a pass her obstinate adherence to her ancient policy has brought her, and will consent to be taught by the misfortunes of other nations,* such as Germany, and not insist on trying in her own proper person how she can endure a diminished currency, a rapid and continuous fall in prices, gold artificially appreciated and insufficient for the purposes for which it is required, silver depreciated and thrown away as useless, at the very time when it is best able to render the most important services, and, as a consequence of this, the trade, the agriculture, and the foreign commerce of the country stagnant and half ruined, and our Indian empire loaded with a debt which it will be impossible for her to meet, and which England *must* ultimately take upon her own shoulders.

* England has *already* begun to feel the ill effects of the contraction of currency; already land is thrown out of cultivation, and manufactures have ceased or been greatly curtailed, because the produce of that land and that manufacture fetches a reduced price, owing to the appreciation of gold and the demonetization of silver. The reduced price is no longer sufficient to repay the farmer or afford a profit to the manufacturer. Wages sink but very slowly, if at all, with a fall in prices, and the employers of labour, both agricultural and industrial, still pay the same wages that they did when prices were higher, and yet receive a diminished return for the produce of that labour. The farmer, with his rent fixed for a term of years, is unable to meet his engagements, now that his produce brings him in less money; and the landlord is obliged to reduce his rents or to submit to his land being thrown out of cultivation. Similarly the manufacturer can no longer go on producing articles which fetch a lower price than they did, though the cost of production is to him the same; he shuts his mills and distress overtakes the labouring classes who are thereby thrown out of employment. All these are the effects of a contracted currency, and are *already* beginning to be felt in England.

It is impossible that England can continue to be blind to the danger. It is not, as most foreigners believe, that she is selfish and egotistical in this matter; it is that she is ignorant, and therefore indifferent. If the mass of the electors of England were convinced of the danger which is so imminent (as the merchants of Liverpool and Birmingham have been convinced), there would soon be a cry which would compel any government to listen to it. As soon as the great traders of the North were once convinced of the cause of the depression in commerce, they entered heartily and earnestly into the new crusade, and now the bankers and merchants of London are fast becoming converted, and by the time the present Conference is ended, there will be a strong public opinion in England in favour of the entire re-habilitation of silver, if not of complete Bi-metallism; but the danger is that this may come too late.

We cannot expect France and America to wait for us indefinitely. If the Congress be broken up and the United States' Delegates return to their own country, with the full conviction that nothing can be done at present to restore the value of silver, the Bland Bill will be repealed, silver will fall indefinitely lower, and the difficulty of re-habilitating it will be infinitely increased.

The Bank of England having agreed to hold one-fifth of her reserve in silver, which was one of the two concessions the Bi-metallic States asked of England, there only remains to be carried out the other one, viz.: that England should increase the amount of her subsidiary silver coinage, and make silver a legal tender up to £5 instead of only £2. Surely public opinion is sufficiently advanced in England to justify such a very moderate measure; and, if the English Government will only sanction this one concession, there is every hope that the efforts of the Conference will be

crowned with success, the re-habilitation of silver will be ensured, and England will have fortunately escaped from the terrible monetary crisis which is at present inevitably impending over her.

The present moment is one at which all those who are convinced of the truth of Bi-metallism should join earnestly together to spread and propagate their opinions, and to strengthen the hands of government in taking the few and moderate steps which are necessary to secure the success of the movement.

With the hope of contributing my mite towards this object, I publish the present translation of the Proceedings of the Conference.

Since the above sentences were written, the news has come from Paris that the Conference has been adjourned till April, 1882. Far from being discouraged by this, we should regard it as a most fortunate resolve. It will give time for public opinion to grow, and time for the different Governments to consult together and to obtain competent financial opinion on the various important questions which have been raised in the present Conference. It will give a good opportunity for all those who believe in Bi-metallism, to spread a knowledge of the facts and arguments, which have convinced them, far and wide over the countries* which are

* It should be remembered that all the great German politico-economists have already been converted to bi-metallism; it is remarkable that in France, which is bi-metallic, many of the greatest economists are still mono-metallic; while in mono-metallic Germany, all the greatest writers have become bi-metallic; and it is believed that even Prince Bismark is convinced of the futility of attempting to carry out the monetary reform on a gold mono-metallic basis, and is now quite prepared to accept bi-metallism, after it has been adopted by France and the United States. He is said to be extremely angry with the mono-metallists for having deceived him as to the cost and time necessary for introducing a gold standard.

most interested in the question. Then, when the Conference re-assembles next spring, we may hope that all will be ready for practical action, and that the ground which has been so long prepared and so industriously sown with good seed by M. Emile de Laveleye, M. Cernuschi, Mr. E. Seyd, Mr. S. Smith, Mr. Hucks Gibbs, and other bi-metallists, may at last produce the harvest for which we have so long yearned.

There is good reason for believing that at least *some* of the Governments concerned are negotiating directly with one another on the subject; and that, perhaps, even ere the Conference re-assembles in the spring of next year, some very practical and important steps may have been taken towards ensuring the success of the movement.

Meantime we should all unite our efforts to strengthen public opinion on the subject, and to ensure that, if the different Governments should be willing to take any administrative measures next year in the direction of Bi-metallism, they shall be supported by an adequate public feeling, and shall not encounter the opposition and hostility which all such measures have hitherto met with in England.

A. COTTERELL TUPP.

EAST INDIA UNITED SERVICE CLUB,
14, ST. JAMES'S SQUARE,
July 13th, 1881.

LIST OF DELEGATES.*

AUSTRIA-HUNGARY .. Count Küfstein, Councillor of Embassy at Paris, and Member of the Chamber of Peers.
The Chevalier A. de Niebauer, Councillor of the Ministry of Finance.
M. Alexandre de Hegedus, Deputy in the Hungarian Diet.

BELGIUM .... M. Pirmez, Member of the Chamber of Representatives; formerly Minister of the Interior.
M. Garnier-Heldewier, Councillor of the Belgian Legation at Paris.

BRITISH INDIA ...... Sir Louis Mallet, Under-Secretary of State for India.
Lord Reay, Peer of Scotland.

CANADA .... Sir A. Galt, Agent-General of Canada in London.

DENMARK .... M. Lévy, Councillor of State.

FRANCE .... M. Barthélemy Saint-Hilaire, Minister of Foreign Affairs.
M. J. Magnin, Finance Minister.
M. Denormandie, Governor of the Bank of France.
M. J. B. Dumas, Member of the Academy; President of the Commission for the Control of the Monetary Circulation.
M. Cernuschi (the Bi-metallist).

GERMANY .... The Baron Thielmann, Councillor of Embassy at Paris.
M. Schraut, Privy Councillor and Councillor-Reporter to the Treasury.

GREAT BRITAIN ..... Mr. Freemantle, Deputy Master of the Mint.

GREECE .... M. Braïlas-Arméni, Envoy Extraordinary and Minister Plenipotentiary of Greece at Paris.

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* This complete list of Delegates with their titles, &c., is not given in the Procès-Verbaux, but was compiled by me, as I thought it would be useful for reference.—A. C. T.

HOLLAND .... M. Vrolik, formerly Minister of Finance.
M. Pierson, Professor of Political Economy in the University of Amsterdam; Director of the Bank of Holland.

ITALY .... M. Seismit-Doda, Member of Parliament; formerly Finance Minister.
M. Luzzati, Member of Parliament.
M. Simonelli, Member of Parliament.
Count Rusconi, formerly Foreign Minister, Secretary-General of the Council of State.

NORWAY .... Dr. Ole J. Broch, formerly Minister of Marine and the Post Office; Professor in the University of Christiania.

PORTUGAL .... Count San Miguel, First Secretary of Legation of Portugal to France.

RUSSIA .... M. de Thörner, Privy Councillor; Director of the Treasury.

SPAIN .... M. Moret y Prendergast, Deputy to the Cortes; formerly Minister of Finance and the Colonies.

SWEDEN .... Dr. Hans Ludwig Forssell, formerly Minister of Finance; President of the Chamber of Finance.

SWITZERLAND ...... Dr. Kern, Envoy Extraordinary and Minister Plenipotentiary at Paris.
M. Lardy, Councillor of Legation at Paris.
M. Burckhardt-Bischoff.

UNITED STATES .... Mr. Evarts, formerly Secretary of State.
Mr. Thurman, formerly Senator.
Mr. Howe, formerly Senator.
Mr. Dana Horton, Delegate to the Monetary Conference of 1878.

President: M. J. Magnin, Finance Minister of France.

Vice-President: M. Vrolik, late Finance Minister of Holland.

Secretary: M. Réné Lavollée, Doctor of Arts; Consul-General of France.

Joint-Secretary: M. Edouard Bruwaert, Clerk in the Foreign Office, Paris.

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PROCEEDINGS OF THE INTERNATIONAL MONETARY CONFERENCE HELD AT PARIS IN APRIL AND MAY, 1881.

FIRST SITTING.

TUESDAY, 19th APRIL.

THE French Foreign Minister (M. St. Hilaire) declared the Conference opened, and delivered an address to the delegates, in which he said that he welcomed them to Paris in the name of France; that France was grateful for such a proof of confidence from other nations; and that he hoped that the Conference would be a real benefit to mankind.

He reminded them that there would soon have been three such Conferences in Paris—the present, the Postal, and the Electric Conference—and that this was perhaps the most important of all; that monetary science, though one of the most ancient and though well understood in ancient times, had received an altogether new development in the present century, and had now become so complex, that even the most learned were sometimes unable to predict what might occur. When the oscillations passed certain limits, both private and public interests suffered violently, and they required the most profound attention. This was the object of the present Conference, which should try to re-establish an equilibrium and prevent the return of the late crisis. Opinions on this subject were so opposite, that he could only wish them success, and say that, even if they did not succeed entirely, they would settle the preliminaries, and would fix principles which would afterwards bear fruit. The evil would at any rate be mitigated; and even if not entirely

suppressed at present, the future cure would be due to their labours. The Conference of 1878 may have been a little premature, but the events of the three years which have passed since then had rendered everything ripe for the present enquiry.

On the proposal of Mr. Evarts, M. Magnin, Finance Minister of France, was elected President of the Conference.

On the motion of the Greek delegate (M. Braïlas-Arméni), it was decided to defer the election of a Vice-President until the arrival of the remaining members.

Dr. Réné Lavollée was then appointed Secretary, and M. Bruwärt, Joint-Secretary, to the Conference.

The President (M. Magnin) then addressed the Conference, and said that two Monetary Conferences had already been held in Paris, in 1867 and 1878; that of 1867 was intended to secure monetary uniformity and pronounced in favor of gold monometallism. The Vice-President said in his final report of 16th July, 1876, that of the three systems—the gold standard, the silver standard, and the double standard—the Conference, although composed of 20 States, in two only of which was gold the standard, had unanimously decided that gold was the best standard with silver as a subsidiary coinage. The programme of 1867 was thoroughly adopted by the German legislators in 1871; the coinage of silver was suppressed and silver was demonetized. The Scandinavian States followed the same course. The Latin Union and Holland closed their mints to the coinage of silver; and now gold alone has the right of unlimited coinage on both sides of the Atlantic. It was certain that the stoppage of the coinage of silver would produce a fall in its value. England was severely affected by this, and in March, 1876, a Parliamentary enquiry was made, but it could suggest no remedy.

In August, 1876, the United States appointed a Monetary Commission to enquire, not only into the causes of the fall in the value of silver, but also whether a bi-metallic basis should not be adopted. This Commission reported in March, 1877, that the fall was the result of laws, not of natural causes, and that equal rights should be given to both metals by the establishment of a uniform proportion of weight between gold coins and silver coins.

The United States then assembled the International Conference of August, 1878, and its delegates asked the Conference to pronounce (1) that it was not desirable to exclude silver from

free mintage, but that its free mintage and its employment as legal money, with unlimited legal tender power, should be maintained and even extended; and (2) that gold and silver could be employed simultaneously with unlimited legal tender power—

(1) By putting them on a footing of equality by means of a proportion fixed by international agreement;

(2) By adopting equal conditions of coinage for both metals according to the fixed proportion.

These proposals were discussed, but no general vote was taken on them. The English and French delegates proposed a reply to the American delegates as follows:—

(1) That it is necessary to maintain the monetary position of silver in the world, as well as of gold, but the choice of either or of both should be left to each State or group of States.

(2) That the limitation of the coinage of silver should also be left to each State, and the more so that the recent disturbances in the silver market have differently affected different States.

(3) That in consequence of the differences of opinion, and the impossibility which even States having a double standard felt in making any engagement with regard to the unlimited coinage of silver, the question of an international proportional value between the two metals cannot be discussed.

In the voting on this reply, the Dutch delegates were not present; the Italian delegates refused their adhesion, and the other delegates gave it only under reserve. The reply of the French and English delegates was a condemnation of the mono-metallic gold doctrine, but it had produced no change. For silver to recover its former value it must be freely coined along with gold; and as no single State could undertake this coinage, a bi-metallic international convention was the only remedy. The American and French Governments had therefore proposed this Conference, and fifteen States had accepted the invitation.

They hoped that it would be proved that international bi-metallism is the only system which could restore monetary regularity to the world.

None need gain or lose; none need be more cautious than the rest; the resolutions come to should be equally favorable to all parties. No opinions would be forced on anyone, and all systems

should be discussed by the very competent representatives now present.

The President then asked whether the Conference would make use of the short-hand writers provided by the French Government. The Conference accepted them on the understanding that the reports should be absolutely confidential and should not be published except with the consent of the delegates. The procès-verbaux finally adopted by the Conference would be the only official record of its proceedings.

The short-hand writer of the United States' delegates was allowed, at their request, to attend the Conference.

The President then asked the Conference whether before begining its deliberations, it would not be well to prepare a list of questions, and to trace out a programme of its proceedings. M. Vrolik (Holland) seconded this proposal. M. Kern (Switzerland) asked if it would not be well that the delegates of each State should first state summarily the views of their government on the questions to be discussed.

Baron Thielmann (Germany) supported this view.

M. Cernuschi (France) said that the opinions of the different Governments on the monetary question were sufficiently known, and that little good would result from prefacing the preparation of the list of questions by a formal declaration of principles by each delegate.

M. Pirmez (Belgium) agreed with this view; it appeared to him more logical to begin with discussion, and to await the result of it, before coming to conclusions.

M. Vrolik (Holland) shared this view, and considered that the questions should first be scientifically discussed, otherwise there would be the risk that, as in 1878, divergent opinions would appear which would endanger the success of the Conference.

M. Kern (Switzerland) then withdrew his proposal.

M. Denormandie (France) observed that the Conference unanimously recognized the necessity of preparing, either as a list of questions or under some other form, a programme of their deliberations; and that a great majority preferred to proceed with the formation of this programme without a preliminary declaration of principles. He proposed therefore to entrust to a Committee, to be chosen from the Conference, the drawing up of this list of questions.

Count Küfstein (Austria) supported this proposal.

The President asked the Conference whether it would itself select the members of the Committee.

M. Vrolik (Holland) replied that, as in the Conference of 1867, the choice of the members of the Committee could be entrusted to the French delegates.

The President said he thought the United States' delegates should be associated with those of France.

The two proposals were carried unanimously, and the sitting was suspended for a quarter of an hour to allow the delegates of France and the United States to consult together.

M. Denormandie (France) then stated the proposals made by the delegates of France and the United States, viz. :—

(1) The Committee to frame the list of questions should be composed of as many members as there were States represented at the Conference.

(2) The delegates of each State should choose one of themselves to sit on this Committee.

(3) To allow of the arrival of the delegates of Great Britain and Italy, the first meeting of the Committee should be fixed for the 23rd April, at 2 p.m.

(4) The decisions of the Committee should not in any case prejudge the questions to be discussed, nor bind the Conference.

All these proposals were adopted without debate.

Baron Thielmann presented to the Conference thirty copies of two official documents prepared by his government: (1) Documents relative to Monetary Reform in Germany. (2) Statement of the Monetary Situation in Germany.*

The first sitting ceased at 4 p.m.

* *See* Appendix, next page.

APPENDIX TO PROCEEDINGS OF FIRST SITTING.

STATEMENT OF THE MONETARY SITUATION IN GERMANY.

I.

The introduction into Germany of the single gold standard instead of the silver standard which prevailed up to 1871 in most of the German States, was decreed by the laws of the 4th December 1871, and 9th July 1873. The gold mark is the $\frac{1}{1,255\cdot5}$ part of a pound of gold (of 500 grammes=7,716·25 grains troy), nine-tenths fine, and it is coined into gold pieces of 20, 10, and 5 marks. The private right of coinage exists in this sense, that any individual has the right to have twenty-mark gold pieces coined on his own account, by paying the expenses of coinage, at the rate of three marks per pound of fine gold.

Silver nickel and copper coins are used as subsidiary coins. In the mintage of silver coins (pieces of 5, 3 and 1 marks, and of 50 and 20 pfennigs) 100 marks are made from one pound of fine silver; the proportion of alloy is 900 parts of silver to 100 parts of copper. Ninety marks of coined silver weigh one pound.

The total amount of silver coin must not, after the passing of the present laws, exceed ten marks per head of population. No one need accept in payment silver money for more than 20 marks; but these coins are received in payment without limit of amount at the German Imperial and State treasuries, and can, at will, be changed for gold at a certain number of offices, appointed for this purpose.

As it was impossible to withdraw from circulation all at once the former coins of the different States, and also to make the new Imperial money circulate in them suddenly, the laws in question established temporarily a régime like that of the double standard; and under it the former coins of the States were recognized as legal tender for payment, at the rate of one thaler for three gold marks, a rate which is based on the proportion of 1 to 15½ as the value of the two metals.

II.

In order to carry out this monetary reform, there have been struck, up to the end of 1880, in Imperial gold money, 1,747,237,095 marks; of which 1,270,509,920 marks were in pieces of 20 marks, 448,759,250 marks in pieces of 10 marks, and 27,969,925 marks in pieces of 5 marks.

As regards subsidiary money there have been coined up to the end of 1880—

In silver money (on the basis of the population of the Empire ascertained by the census of 1st December, 1875, to be 42,727,000 souls) a round sum of 427 millions of marks.

In nickel money—35 millions of marks (in round numbers.)

In copper money—9½ ,, ,, (,,)

On the other side there has been withdrawn from circulation up to the end of 1880, on account of the Empire, a total sum of 1,080,486,138 marks.

Of this sum there have been —

1. Delivered to the mints for the coinage of new Imperial silver money

	Marks.
(*a*) On account of the Empire . . .	382,501,331
(*b*) On payment of its value . . .	183,510
(2,034 pounds of fine silver.)	
	382,684,841

2. Melted into ingots of silver 697,797,069

which have produced 7,474,644 pounds of fine silver.

Of this quantity, there have been

	Pounds of fine silver
(*a*) Sold on account of the Empire . .	7,102,862
(*b*) Used in the coinage of the new silver money	32,429
Total	7,135,291

Deducting this amount from the above 7,474,644 pounds, a residue is left of 339,353 pounds of fine silver, which is at present in the possession of the Imperial Government, as the sales of silver were suspended in May, 1879, and have not been resumed since then.

The sale of these 7,104,896 pounds of silver (*i.e.* the above 7,102,862 plus the 2,034 pounds given to the mints on payment of their value) has been realized as follows :—

Year.	Pounds of Fine Silver sold.	Total in Marks.	Per pound of Fine Silver, in Marks.	Per English ounce of standard Silver, in pence.
1873	105,923·372	9,296,682·77	87·77	$59\frac{5}{16}$
1874	703,685·175	61,135,670·29	86·88	$58\frac{3}{4}$
1875	214,898·594	18,208,449·08	84·69	$57\frac{1}{4}$
1876	1,211,759·204	93,936,482·37	77·52	$52\frac{3}{8}$
1877	2,868,095·533	230,424,238·51	80·34	$54\frac{5}{16}$
1878	1,622,696·403	126,203,852·08	77·77	$52\frac{9}{16}$
1879 (till May)	377,744·712	27,934,417·89	73·95	50
Total.	7,104,895·993	567,139,992·99	79·82	$53\frac{15}{16}$

A comparison of the produce of these sales (567,139,993 marks) with the original cost of these 7,104,896 pounds of fine silver, which had been received at 663,621,109 marks, shows that the sales of silver have cost the empire 96,481,136* marks [£4,729,467].

	Marks.
To this loss of	96,481,136
Must be added the other costs of the execution of the monetary reform (mintage, loss on copper, &c.) . .	29,316,438
Total . . .	125,797,574
On the other side must be credited the profits resulting from the monetary reform (viz., mintage, &c.)† . .	81,728,134
Net cost of the reform to the empire .	44,069,440

[*i.e.* £2,160,266 sterling.]

* So in original, but it should be apparently 96,481,016 marks.—A. C. T.

† In this the German Government appear to have reckoned the nominal profit made by re-issuing the silver coin at more than its intrinsic value; but, as the nominal value would not be realized if the coin were sold again, the *real* loss on the operations would appear to be 4½ millions sterling, and not 2 millions.—A. C. T.

III.

Besides the new Imperial money, the remaining silver pieces of 1 thaler not yet withdrawn are still in circulation. 1,280 millions of marks in pieces of 1 thaler have been coined in all (including 93 millions of Austrian thalers). Of this 1,280 millions, it is reckoned that 20 per cent. have disappeared; this would give 1,024 millions remaining, of which 614 millions have been withdrawn, leaving 410 millions of marks in circulation.

The highest estimate founded on reliable facts does not place it above 500 millions of marks; in all these estimates the stock of thalers which forms part of the bullion balance in the vaults of the Imperial Bank is included.

IV.

If the sales were resumed, the Government would only have to get rid of that part of the 410 (or 500) millions of silver which it could not employ to increase the subsidiary silver money. As the silver money ought not to exceed 10 marks per head of population, and as the population has increased from

42,727,372 souls in December, 1875, to
45,194,172 souls in December, 1880,

an increase of 2,466,800 souls, the amount of silver money hitherto coined (427 millions of marks) may be increased by 25 millions of marks. The Government has also agreed to raise the rate to 12 marks per head instead of 10 marks, if the reform be carried to its full extent. It will be necessary, therefore, to strike 115 millions more of silver marks, which would absorb the 31 millions of marks which are held in silver ingots, and 73 millions of marks of the thalers actually in circulation at present. There would then be left to sell (including 74 to 81 millions of Austrian thalers) 337 to 427 millions of marks (*i.e.*, 3,740,000 to 4,740,000 pounds of fine silver); or, including the Austrian thalers, 263 to 346 millions of marks.

SECOND SITTING.

THURSDAY, 5th MAY.

Present—besides those who were present at the First Sitting:—

Great Britain	Hon. C. W. Freemantle, C.B.
India	Lord Reay.
Canada	Sir Alex. Galt.
Italy	M. Seismit-Doda.
	M. Luzzati.
	M. Simonelli.
	Count Rusconi.
Russia	M. de Thöerner.
Switzerland	M. Burckhardt-Bischoff.

The sitting commenced at 2.30 p.m.

The President reminded the Conference that it had to elect a Vice-President.

On the proposal of Mr. Evarts (United States), the Vice-Presidentship was conferred on M. Vrolik (Holland).

The Report of the Committee empowered to draw up the list of questions was then read by M. Vrolik, who said:

The Committee had sat on the 23rd April; 16 States were represented on it—Germany (Thielmann), Austria (Niebauer), Hungary (Hegedus), Belgium (Pirmez), Denmark (Lévy), Spain (Moret), United States (Dana Horton), France (Cernuschi), Greece (Brailas-Armeni), Holland (Vrolik), Portugal (San Miguel), Sweden (Forssell), Norway (Broch), Switzerland (Kern), Italy (Luzzati), and Russia (Thoerner).

The sitting was opened by M. Kern (Switzerland), the eldest delegate, and the Presidency of it was conferred (after being declined by M. Cernuschi) on himself (Vrolik), and he therefore brought forward the proposed list of questions. If the delegates had had lists of questions ready to submit to the Committee, they could have been compared and the whole reduced into one

list; but as this was not the case, the delegates of France and America were asked to draw out a programme, to be printed and confidentially distributed at least forty-eight hours before the meeting of the Committee. Messrs. Cernuschi and Horton agreed to undertake this task. The delegates of Holland, who had prepared a list of questions, placed it at the disposal of Messrs. Cernuschi and Horton, to use as they thought best. When the task was completed, the Committee met again on May 3rd, and was joined by Mr. Freemantle (England) and M. Burckhardt-Bischoff (Switzerland).

Messrs. Cernuschi and Horton each prepared a programme, and to these was added that of the Dutch delegates. The Committee therefore had three projects, and communicated them to the whole Conference. After a debate, the Committee decided that the Dutch project was the best, as it concentrated attention on the essential points which ought to be debated according to the terms of the invitation given by France and the United States; but they left it entirely free to discuss also the additional subjects mentioned in the French and American lists. Two distinct tendencies showed themselves in the Committee, as they would probably do in the Conference too. The one is to give a large share to scientific discussions, the other is to limit one-self as much as possible to practical questions and those of law and policy. In the list of questions now presented an attempt was made to avoid these two extremes. The proposals of Messrs. Cernuschi and Horton were added as appendices. The above was a short account of how the present programme came to be adopted by the Committee; and, if it was adopted by the Conference, the Committee would wish the President to allow those delegates who have official communications to make, to read them, and that a general discussion should take place before the questions are considered in detail. The Committee also wished that if any supplementary questions were to be added, they should not be discussed without a preliminary revision by the Committee, or till they had been distributed to all the Members of the Conference.

The resolutions come to in M. Vrolik's (Holland) report were put to the vote one after the other, and all carried without discussion. It was therefore decided

(1) That those delegates who had declarations to make in the name of their governments should be enabled to present them before the commencement of the debate.

(2) That a general discussion should precede the discussion of the different paragraphs of the list of questions which the Conference might adopt.

(3) That each delegate should retain the right, even after the adoption of a list of questions, of proposing new and supplementary questions, but that these questions could not be discussed till they were reduced into shape, communicated to the office of the Conference, and distributed to all the members.

The list of questions drawn up by the Committee was then adopted without discussion; it was as follows:

I. Have the diminution and the great oscillations in the value of silver, which have occurred, especially in the last few years, been hurtful or not to commerce, and in consequence to general prosperity?

Is it desirable that the proportional value of the two metals should be exceedingly stable?

II. Should the facts mentioned in the first part of the last question be attributed to the increase of production of silver or rather to legislative measures?

III. Is it probable or not that, if a great group of States were to assure free and unlimited coinage to legal coins of the two metals, with full legal-tender power, in a uniform proportion for the gold and silver contained in the coinage-unit of each metal, a stability of the relative value of the two metals would be secured, which would be, if not absolute, at any rate very great?

IV. If the preceding question be answered in the affirmative, what measures should be taken to reduce to a minimum the oscillations in the relative value of the two metals? For example:

(1) Would it be advisable to oblige the privileged banks of issue always to receive at a fixed price the ingots of gold and of silver which the public may offer?

(2) How can the same advantage be secured to the public in those countries where there are no privileged banks of issue?

(3) Should the mintage be free or at least uniform in all countries for both the metals?

(4) Should there be some understanding to leave international commerce in the precious metals free from all restraint?

V. If bi-metallism be adopted, what should be the proportion between the weight of pure gold and of pure silver, contained in the coinage-unit?

The delegates were then requested to communicate to the Conference the declarations which they were to present in the name of their respective governments.

The following delegates read papers:

I. Baron Thielmann—Germany.
II. Mr. Freemantle—Great Britain.
III. Lord Reay—India.
IV. Sir A. Galt—Canada.
V. M. Lévy—Denmark.
VI. Count San Miguel—Portugal.
VII. M. de Thöerner—Russia.
VIII. M. Braïlas-Arméni—Greece.
IX. Count Küfstein—Austria-Hungary.
X. M. Forssell—Sweden.
XI. M. Broch—Norway.
XII. Dr. Kern, &c.—Switzerland.

I.—*Declaration of the German Delegates.*

Baron Thielmann said the German Government does not intend, by taking part in this Conference, which is called together with the object of establishing an international monetary system founded on bi-metallism, to prejudge its final decision. The declarations of the delegates must therefore not be taken to bind the Government definitely; they will serve rather as the basis for future negociations.

When, between 1865 and 1870, gold mono-metallism gained ground in most civilized countries, and when, towards the end of this period, a considerable quantity of gold found its way into the German treasury, the Government profited by this opportunity to establish its monetary system firmly, and to regulate uniformly on a gold-standard basis the currencies which had prevailed in the different States of the Empire. If Germany had then kept the single silver standard or had adopted bi-metallism, other countries would have more easily exchanged to the single gold standard, because the establishment of bi-metallism in Germany would have enabled them to sell their silver. The monetary reform in Germany, resolved on only after very deliberate reflection, is now far advanced;

1,747 millions of marks have been struck in gold coin, while 1,080 millions of marks, in the former silver money, have been demonetized. The cost of these operations has been 44 millions of marks.* The highest estimate now gives 500 millions of marks as the quantity of old thalers now remaining in Germany, including the Austrian thalers. This reform has greatly improved the conditions of monetary circulation in Germany; not only has the general circulation, estimated per head of population, increased, but the circulation of gold has increased, while that of silver, of the subsidiary coins, and of notes not covered by a metallic reserve, has diminished; but still we do not in the least under-rate the importance of the fall in the price of silver which has resulted from these measures.

It is generally agreed to attribute this fall less to the actual sales of silver than to the action of our government in abolishing the quality which silver possessed of being current coin, which led the States of the Latin union to cease the coinage of silver.

It would be impossible to deny that this last measure, which destroyed the compensating effect, which had up to that time kept the oscillations in the price of silver within narrow limits, removed all the obstacles to a progressive and unlimited fall in price. It is fair, however, to admit that the fear of seeing itself burthened with a sum of at least half a milliard of marks [£24,509,804] of German silver, counted for much in the decision which the Latin union took, and which necessarily considerably depreciated its own circulation. The fall in the price of silver would not have attained such proportions if it had not been that at the same time there was a considerable increase in the production of the metal in America, while the demand for it in Asia kept on diminishing.

The German Government therefore resolved in May 1879, to cease its sales of silver, and these have not been resumed since then.

This measure, by strengthening the state of the metal market, rendered easy the attempts of the powers interested in re-establishing silver. At the same time it caused the demand for gold to diminish, which was the more important, because the de-

* This is the net cost. The gross cost of conversion was 96½ millions of marks (*see* the Appendix to First Sitting, p. 8.), and this would seem to be the true cost, as the saving of 81 millions, reckoned by the German delegates, is not an increase of intrinsic worth, but a fictitious value given by law to the new silver coinage when it was re-coined.—A. C. T.

creasing production of this metal, and the always increasing demand for it, had already, in the last few years, produced a certain tension in the market.

We acknowledge, without reserve, that the rehabilitation of silver is desirable, and that it could be attained by the re-establishment of the free coinage of silver in a certain number of the most populous States represented at this Conference, which for this purpose would take as a basis a fixed proportion between the value of gold and that of silver. Nevertheless, Germany, whose monetary reform is already so far advanced, and whose general monetary situation does not seem to invite a change of system of such vast importance, does not find itself able to concede, as far as it is itself concerned, the free coinage of silver. Its delegates cannot therefore agree to such a proposal.

The German Government is on the other hand entirely disposed to help as far as possible the efforts of the other powers which might be willing to unite, with a view to the rehabilitation of silver by means of a free coinage of this metal. To attain this end, and to guarantee these powers against the influx of German silver which they seem to dread, the German Government will impose some restrictions on itself.

For a period of some years it will abstain from all sales of silver, and for another period, of some duration, it will engage to sell only a limited quantity yearly, which shall be so small that the general market would not be hampered by it. The length of these periods and the quantity of silver to be sold yearly during the second period would be settled by future negotiations. A similar arrangement would guarantee the mints of bi-metallic States against the unlimited influx of German thalers coming from State funds.

Private individuals or the State bank (which is a private bank under the special control of government) could not on the other hand, make thalers flow into the mints of the bi-metallic States, except when the balance of commerce happened to be unfavourable to Germany, or if the proportion of 1 to 15½ established by the bi-metallic union was sensibly modified in favour of silver, which is not at all likely to happen. In all other cases the exportation of thalers would involve a loss to those who undertook it, and the countries of the bi-metallic union need not therefore apprehend that German silver will inundate their mints. They could also make these operations still more

difficult by excluding *coined* thalers from free mintage in the bi-metallic union; such a plan would add to the other expenses, which the exporters would have to bear, those of re-melting and refining the thalers.

If an international arrangement founded on these principles were come to, Germany would remain free to sell silver within the limits which she had accepted, or not to sell it at all. But Germany, in order to narrow these limits still more, could make further concessions; she would give in her own circulation a wider sphere to the metal silver, and would make the use of it more general. To attain this end the government would engage eventually to withdraw the 5-mark [= 4*s.* 11*d.*] gold pieces (27¾ millions of marks) [= £1,360,294] and also the Imperial bank notes of the same value [5 marks] (40 millions of marks) [= £1,960,000]. It could besides re-melt and recoin the 5-mark and 2-mark silver pieces (71 and 101 millions of marks) [= £3,479,000 and £4,949,000], taking for a basis a proportion between the metals which should be nearly that of 1 to 15½, while under the present laws 100 marks [= £4. 18*s.*] are made from the pound of fine silver, which is nearly equivalent to a proportion of 1 to 14.

These are the concessions which the German Government would propose to you and which its delegates are ready to discuss with regard to its importance, and the details of its execution.

II. *Declaration of the Delegate of Great Britain.*

Mr. Freemantle said that it was necessary to explain his position in taking part in the deliberations of the Conference.

In February last the English Government received an invitation from the French and United States' Government to take part in a Conference of the powers principally interested in fixing the use of gold and of silver as international money, and of securing the fixity of the relative value of these two metals. The Conference was to examine and adopt (with the intention of submitting them for the acceptance of the governments represented at the Conference) a plan and a system for the determination, by an international convention, of the use of silver and of gold as bi-metallic money, according to a fixed relative value between the two metals.

Since 1816 the monetary system of the United Kingdom has been based on gold as the only standard, and this system has

satisfied all the wants of the country without causing those inconveniences which have appeared elsewhere, and under other regulations. It has for this reason been accepted by the Governments of all parties, and by the nation. The English Government could not then enter the Conference as supporters of the principle of the double standard, and its reply to France and the United States showed the reasons which prevented it from taking part in the Congress which was proposed to it.

The representative of the United States' Government at London then declared that the Powers represented at the Conference reserved an entire liberty of action after the discussion, and the British Government thought it ought not to be wanting in respect to friendly Powers, by continuing to refuse to send a delegate of the United Kingdom. It was in this way that he came to take part in the Conference. His instructions directed him to furnish all the information which might be desired with regard to the laws and the monetary system of England; they did not permit him to vote on the questions which might be submitted; but he would none the less follow with the greatest interest the discussions which might take place in so competent an assembly.

III.—*Declaration of the Delegate of British India.*

Lord Reay said the Government of British India was not to be held, from its having sent delegates to the Conference, to have accepted the principle of bi-metallism in British India, and in order to secure its freedom from responsibility for the conclusions at which the Conference might arrive, its delegates were not authorized to take part in the votes of the Conference. Although the Secretary of State in Council for India could not hope for a radical reform of the monetary system of India under present circumstances, he was ready to take into consideration any measures which it might be suggested to introduce into India in order to re-establish the value of silver. The Government of India would follow with the greatest interest deliberations and resolutions which might exercise so great an influence over the destiny of the British-Indian Empire.

IV.—*Declaration of the Delegate of Canada.*

Sir A. Galt said he was instructed by his Government to state, that while it would give the most respectful consideration

to the conclusions of the Conference, it reserved perfect freedom of action; and that while authorized to vote on the questions submitted to the Conference, his action must not be considered as prejudicing the future action of Canada.

V.—*Declaration of the Delegate of Denmark.*

M. Lévy said that as the Danish Government did not intend to abandon the single gold standard which had been introduced into the country some few years ago, he had received instructions from his Government to abstain from all discussion as to the manner in which the Bi-metallic system could be regulated.

VI.—*Declaration of the Delegate of Portugal.*

The Count de San Miguel said that while accepting the invitation to the Conference of the French and United States Governments, the Portuguese Government must state plainly that the monetary system in force in Portugal would not permit it to enter into the contemplated Bi-metallic Union, and that it expressly reserved its final determination, and the most complete liberty of action with regard to the conclusions which the Monetary Conference might adopt. That he was therefore in a situation which required the greatest reserve, and could not vote on any question which would compromise his Government in any way, nor give any opinion which could afford ground for supposing that the Portuguese Government would quit the attitude which it had assumed on this question. His opinions, if he were led to enter into any discussion, would be entirely personal. His duty was to follow and study the development of the question, and to report on it to his Government.

VII.—*Declaration of the Delegate of Russia.*

M. de Thörner said that the Russian Government, in sending a delegate to the International Monetary Conference, intended—

(1) To be able, with an entire knowledge of the opinions expressed at this Congress, to take into consideration the resolutions at which the Conference might arrive on the monetary question.

(2) To enable the Conference to obtain directly from the Russian representative all the information on the monetary situation in Russia which the Conference could need for the elucidation of the general question.

But at the same time the Russian Government intended to reserve entirely its opinion on the matter, and not to allow the resolutions of the Conference to compromise in any way its liberty of action. He was therefore in the same position, personally, as the delegate of Portugal.

VIII. *Declaration of the Delegate of Greece.*

M. Braïlas-Arméni said that as the representative of a nation which had adopted mono-metallism, he could not associate himself with any measure which could cause a change of system. He would be very happy to take part in the labours of the Conference, and he would inform his government of any other question which might be proposed and discussed, while reserving complete liberty of action for it.

IX. *Declaration of the Delegates of Austria-Hungary.*

Count Küfstein said he had not intended to make any formal declaration, but, as other delegates had given explanations as to the ideas with which their Governments had accepted the invitation of the French and United States' Governments, he would explain in a few words the situation of his own Government. He need only refer to the Conference of 1878, their situation was the same as then, and they would follow the labours of the Conference with the same sympathy, but with the same reserves.

The special conditions of their circulation were not unknown to the Members; they had a circulation which was essentially one of trust [a Paper Currency]. It is true that they made the most sincere efforts to resume specie payments, but they had not up to the present time been able to do so. This state of things made his position somewhat delicate, considering the important questions which the Conference had to discuss. Their attitude would be one of favourable reserve, and although accepting conditionally the result of the deliberations, Austria could not make any engagement whatever. Any opinions which the delegates of Austria expressed would be personal. Still they felt no hesitation in saying that, as in the Conference of 1878, so for the future their sympathy was with any measure which might be adopted with the aim of improving or re-establishing as much as possible the position of silver. They therefore hoped that the Conference would not separate without having adopted

some remedy to obviate the inconveniences of the present monetary situation, which they believed to be in many ways a grave one.

X.—*Declaration of the Delegate of Sweden.*

Dr. Forssell said his Government, while reserving entire liberty of action on the subject of the monetary system, had permitted him to take part in the discussions of the Conference.

XI.—*Declaration of the Delegate of Norway.*

Dr. Broch said that the Conference was aware that the Scandinavian States had a monetary union founded on the single gold standard. His Government reserved all its rights, but gave him permission to take part in the discussions on condition of reporting finally to it.

XII. *Declaration of the Swiss Delegates.*

M. Burckhardt-Bischoff said that the Swiss Confederation did not wish in any way to depart from the arrangements made by the Monetary Convention (called the Latin) of the 5th November, 1878, which were to last seven years; but it was ready to take part in this Conference.

As the invitation to the new Conference implied a desire to conclude an international treaty authorizing the free coinage of gold and silver as bi-metallic money, the Swiss delegates would confine themselves to hearing the motives which have guided France and the United States in the initiative which they had taken. They would also inform the Federal Council of the attitude which the great commercial powers (especially Germany and England) might assume with regard to the Franco-American proposals, and they would ask for new instructions before taking up any position and before coming to a decision, in the name of Switzerland, with regard to these proposals, whether to approve them or reject them.

The Swiss delegates would therefore be present at the Conference to hear and to report. They therefore made a formal declaration in this sense, now that the Conference had begun, and they reserved, with a view to every possibility, the position, as regards rights, of the States of the Latin union, such as they had been defined by the Convention of the 5th November, 1878;

and they added, so that no doubt should remain on this point, that the Federal Council had sent delegates to the Conference only because it considered this Conference as of a preparatory character and as having for its only task, to seek out the foundations on which a scheme for an acceptable treaty could be built.

The Swiss delegates would not therefore join in any decision before having first reported to the Federal Council, and having received from it final instructions.

The different Declarations of the Delegates were then placed on record, and the general discussion on all the questions submitted to the Conference was opened.

M. Cernuschi (France) asked to be allowed to state at once to the Conference the impressions which the various declarations, particularly those of Germany and Great Britain, had made on him; these declarations were of the greatest importance. On what conditions is the success of the work now undertaken dependent? On the agreement of the four great metallic powers of the world—France, the United States, Germany, and Great Britain. France and the United States had already come to an understanding, as was shown by this Conference. The success of the Conference and the fate of bi-metallism, therefore, depended only on Germany and England. If they both joined France and the United States, bi-metallism would become the monetary law of the whole world: if one of them agreed to it, it was still possible; if both refused their co-operation, it was impracticable.

The result of the declarations just read was, that Great Britain at present refused to join. In spite of the recent demonstrations of the Liverpool and Birmingham Chambers of Commerce; in spite of the petitions signed at Manchester and at London by the great merchants and by the banks which, on account of their extensive business with India, are particularly interested in the success of bi-metallism—England persists in maintaining the monetary system established in 1816 by Lord Liverpool. It is not to be wondered at. In acting thus the British Government is, in a way, within its historical right. England never departs from her traditions except with the utmost caution: she requires ten years to accomplish an economic change. Sir Robert Peel required ten years to pass from the camp of protection to that of free trade; he required ten years

to cease to be a supporter of paper money, and to be opposed to the metallists. The Cabinet of London must still have some time before it can accept bi-metallism; but its conversion can almost be reckoned on.

On the side of Germany the situation is quite different. Its conversion to bi-metallism is not still to effect—it is effected. Through its first delegate Germany has just recognised that the re-habilitation of silver is desirable, and it declares itself inclined to lend its help to this enterprise. From the point of view of principles and of monetary science, our satisfaction is therefore complete; we have only to state it and to congratulate ourselves on it.

But there remains to examine from a practical point of view what Germany offers. She makes proposals, the importance of which cannot be denied, but which still seem insufficient. She invites the other States to pass resolutions of a bi-metallic character, and gives ground for hope that she will postpone the realization of her gold mono-metallism. It is true that she promises to maintain the suspension of her sales of silver.

It is still true, however, that the German bankers could send silver in payment and not receive it. There would be a dangerous inequality against the consequences of which it is necessary to be fore-armed.

The German Government cannot be reproached for its attitude. She is justified by her situation and by the very conditions on which she has just accomplished her monetary reform; but a proposal with regard to this might be made on his own personal responsibility.

Germany was the first to make the experiment of gold mono-metallism at the time when this monetary system was the object of infatuation and of an almost universal mania.

In 1869 the Chancellor of the Exchequer, Mr. Lowe,* could declare in full parliament, when the proposals for monetary unification were made by France, that he would never treat with a country which retained bi-metallism; but he declared himself willing to diminish by one grain the weight of the sterling pound, to bring it nearer to the international piece of 25 francs, on the absolute condition that France should give up the coinage of silver; and he could add, without being insane, that the French

* Now Lord Sherbrooke.

Government was disposed to agree to this arrangement.* At the same time a vast monetary enquiry was proceeding in France before the superior Council of Agriculture and Commerce, and its conclusions were favourable to the adoption of gold mono-metallism. An International Conference, assembled on the occasion of the Universal Exhibition of 1867, had already given utterance to the same views, and it could be said that everything seemed to foretell the approaching triumph of mono-metallism.

It was just after these significant facts that Germany had to proceed with the reform of its monetary system. It was natural enough that she should have carried it out as she had done. She was not willing by becoming a bi-metallist power to risk being a stepping stone to the other States, which were then all tending towards mono-metallism; she was not willing to help her neighbours to adopt gold mono-metallism in order that they might use it against her. This conduct, except for the error that was in it, appeared rational: but it is not the less certain that if in 1871, Germany had not had this fear she would have preferred bi-metallism which she now recognizes as logical and as legitimate from the scientific point of view. She would also have saved 96 millions of marks which the other States have gained at her expense.

One must blot out from history these ten years, and come back to the state of things before the monetary war; in short we must pay for the disastrous experiment tried by Germany.

By buying at the German Treasury, as a commodity, a metal debased by its very demonetization, and by putting again into circulation this very metal transformed into coin at the legal rate of 1 to 15½ or 1 to 16, all States have realized a profit at the expense of Germany.

Let each State ascertain to what extent it has benefited; let it pay back the amount to Germany, and then Germany, indemnified for the 96 millions of marks which she has lost, can return to bi-metallism without any restriction. If the sum thus collected were not equal to the loss sustained by Germany, could not we ask India to pay the difference? By rendering easy the return of Germany, and through her of all the world, to bi-

* M. Cernuschi may feel assured that Lord Sherbrooke had good ground for believing that the French Government were inclined to discuss this question.—A. C. T.

metallism, it is especially for India that people will have worked. No country would profit as much as India by such a change. If bi-metallism were re-established, the Indian Treasury would save at least 25 millions of rupees, which she now loses through the exchange on the 17 millions of pounds sterling which she pays to England.*

In short, there is no great State left on the Continent which has to be converted to bi-metallism. Austria, Hungary, and Russia, although still having an inconvertible paper currency, are in sympathy with this undertaking; Italy, Spain, and Holland help in it. The success of it could not be compromised by the resistance of a few countries which are in a peculiar position, like the Scandinavian States and Portugal, and which can, besides, keep it. Everything now depends only on Germany, and agreement on the principles appearing to be established, the moment has come to negociate with her the practical conditions of an understanding (*entente*).

M. Broch (Norway) then gave the following address: he had asked to speak at once as he was the only delegate who had been at all three Conferences, [1867, 1878, and 1881], and because he had been one of the principal promoters of the monetary reform which had been carried out in the Scandinavian States. Gold mono-metallism had made rapid strides in the last 35 years, only England then possessed it; all the other States were silver mono-metallists. Dutch gold ducats circulated freely in foreign countries, but had no fixed price in their own, because the only standard in Holland was the silver standard; so Russia, Germany, and Austria coined gold ducats for exportation, but only employed silver in their own country. France was bi-metallic, but its circulation was chiefly silver. From 1789 to 1848 she coined four milliards of francs [£160,000,000] in silver and only one milliard [£40,000,000] in gold. Gold was everywhere at a premium, silver alone circulated.

Now the situation is reversed: no mint is open to the free coinage of silver; the States only coin it in limited quantities, and external exchange is calculated in gold. Gold is the only instrument of exchange in Europe, and it is so also in America,

* M. Cernuschi speaks as if this were a tribute from India to England. It will of course be understood that by far the greater part of this 25 millions is for goods actually delivered by England, such as railway materials, machinery, stationery, &c. The rest is for military expenses and pay and pensions of officials.—A. C. T.

although the Bland Bill established a sort of limited bi-metallism. The bill enacts that in each month the Federal Treasury shall buy ingots of silver (to be coined) for not less than two or more than four millions of dollars [£400,000 to £800,000]; but the Government has never bought more than the minimum; the silver coined has not entered into circulation, and half of it at least is still in the State coffers.

The causes of supersession of silver by gold are numerous and complicated; but it is not an accident, but a natural result brought about by the force of circumstances and the progress of civilization. The first cause is the discovery of gold mines in America and Australia. In thirty years the quantity of gold has doubled, and as much gold has been thrown into circulation as has been accumulated in four centuries. The production of silver has increased, but much less rapidly than that of gold. [*See* App. C.]

Along with this increase of production of the precious metals, there has been in this century a general economic and social progress which makes it an epoch in history. Owing to scientific discoveries and the development of the means of communication, the different national markets have become one market, and international commerce has taken a great bound. This has fortunately coincided with a great increase in the production of gold, for without that it would have been impossible.* Great operations can be carried out through clearing-houses, but gold alone can be used for small ones. Gold alone can be used by travellers, and is therefore most required by those countries having most means of communication. It is for this reason that Europe and the United States have a gold currency and India a silver one.†

Bi-metallists say that their system has the same advantages as a gold mono-metallic one, if the coinage of silver be unlimited; but if it be so, the dangers of bi-metallism are great,

* It is difficult then to see the co-incidence. If the progress was impossible *without* the increase of gold, it may be taken to be a result of the latter, and its co-incidence was therefore a necessity—not a fortunate accident. This is really the bi-metallic doctrine in disguise, viz.: that an increased production of either of the precious metals gives a great impetus to commerce; it is as true of silver as of gold.—A. C. T.

† In the first place it is not correct to say that "Europe and the United States have a gold currency;" and secondly, "India had a silver currency" when her means of communication were superior to those of Europe.—A. C. T.

and without it, there is no bi-metallism. Bi-metallists admit that gold mono-metallism would be preferable to bi-metallism with silver at 1 to 18, and that the proportion must be 1 to 15½. There is no real bi-metallism without free coinage of both metals for individuals as well as for States. This system is pursued for gold, but would be impossible for both the metals, or even for silver alone.* It would be very dangerous for great States and impossible for small ones. There is an obstacle to bi-metallism in the difficulty of payment in case of the dissolution of a great monetary union. It is clear, that if the two metals were freely coined in the mints of all the States which composed the Union, the silver ingots would be sent entirely or chiefly to the mints of the great States, as they would be most rapidly coined there.

Now the coins thus issued must bear the insignia of the State in which they were struck, and, if the union were dissolved, these States must take the coin back. Two or three great States would therefore have to receive the immense quantity of silver which had up to that time been circulating in the whole globe, or at least in a large part of the civilized world.†

Even if a universal monetary union on the basis of 1 to 15½ were established, the perils of bi-metallism would be great. Gold would be at a premium and the banks would not throw it into circulation. The Bank of France now cashes its notes in gold or silver equally; but it is because bi-metallism is only partial, and gold is necessary for transactions with certain countries; the Bank of France, therefore, still feels that if she refused to give gold, she would be doing a grave injury to French commerce.‡ But if bi-metallism were universal, the banks would try to keep a certain quantity of gold in their reserves, even by paying a premium for it; and they would make all their

* Why so? This is surely assuming the whole question, and the assertion is contrary to the facts during the seventy years, when France did coin both metals freely.—A. C. T.

† This is surely assuming a great deal. Dr. Broch assumes (1) that all silver would be coined at the great mints; (2) that these States must take back all silver that they had coined; (3) that the holders of this silver would instantly present it to be exchanged for something else, but what—he does not tell us; (4) that this exchange would involve a ruinous loss to the mints. These are all mere assumptions, and the whole theory falls to the ground, if the holders retained their silver as they would do in fact.—A. C. T.

‡ The Bank of France is hardly governed by sentimental considerations, even if they be national. It pays gold when it is *bound* to pay it, and would be equally bound to pay it, even if bi-metallism were universal.—A. C. T.

payments in silver, so that the internal circulation would be over-loaded with silver.

Another objectionable consequence of bi-metallism at 1 to 15½ would be an increase in the money-wealth of the world, a depreciation of the precious metals, and a corresponding rise in the price of everything. The coined metallic circulation of the entire world is now about 34 milliards of francs [£1,360,000,000], 18 in gold [£720,000,000], and 16 in silver [£640,000,000]. The £640,000,000 of silver are really only worth £560,000,000, because the legal proportion is 15½ to 1, while the real proportion is 18 to 1, a difference of 18 per cent.

When the proportion of 15½ becomes obligatory, silver will rise 18 per cent., gold will fall, and all commodities, especially Oriental ones, will rise considerably. This rise will increase as soon as the many silver mines, which now are not worked or very little worked, begin to work fully again, in consequence of the rise in silver. So great and sudden a rise will overturn the commercial and economic world, and will diminish all debts.* It is not only unfair to produce an artificial rise in the price of commodities, it is dangerous and produces grave complications.† It is said that the salaries of workmen would increase in proportion to the rise in commodities, but they only increase slowly and after bitter struggles, and never so fast or so much as the price of the necessaries of life. It would be the same with all public servants who would be condemned to descend in the social scale, unless the State gave them greatly increased salaries. ‡

Prices have already a tendency to rise which is well marked, when observed over long periods, and nothing should be done to increase this tendency. Although modern processes of manufacture tend to lower the net cost of manufactured articles, still

* Dr. Broch forgets that the present unnatural increase in the value of gold and consequent contraction of money, has made prices fall, and has unfairly increased all debts. Bi-metallism would only restore things to the state in which they were before 1873, when most large debts were contracted.—A. C. T.

† This is still more true of causing an artificial *fall* in prices, such as has been produced by the demonetization of silver and the consequent demand for gold.—A. C. T.

‡ Dr. Broch here describes very accurately what has *already* occurred in India, owing to the fall in the value of silver. All English employés in India now lose *one-sixth* of their salaries on all articles except the bare necessaries of life, and are consequently unable to live as they did, to educate their children and to provide for their families. Is not this a state of things which deserves a remedy, and which should be as much avoided as the hypothetical consequences which Dr. Broch describes.—A. C. T.

their selling price constantly increases, and equally lessens the value of money. This universal rise in prices should never be accelerated by legislative measures.

It is impossible to "re-habilitate" silver, but its fall may be stopped, not by arbitrarily raising the value of the metal, but by encouraging its use in the East, in China, and in Africa. The consumption of raw materials which come from these countries should be increased.* It is now hindered by the "armed peace" which prevails in Europe, and which, by retaining three millions of men under the colours, diminishes the power of production and therefore of consumption; but it may be hoped that this state of things will not last for ever, and that the needs of the nations will increase with the possibility of satisfying them, and will offer a larger and larger outlet for the natural products of the silver-using countries. From 1855 to 1880 British India has imported coin to the value of 2½ milliards of francs [£100,000,000] in gold, and to the value of 5½ milliards of francs [£220,000,000] in silver. In the same period 4½ milliards of francs [£180,000,000] worth of Government bills have been drawn on India. Of this, only 250 millions of francs [£10,000,000] in gold and 750 millions of francs [£30,000,000] in silver have been re-exported by sea. Some more (chiefly gold), the value of which it is very difficult to estimate, has been exported by land to Persia and Afghanistan; the rest has remained in India, and has accumulated in the form of jewels or of hoarded treasure. The demand for Indian products will increase in future, and with it the demand for silver in India; this will provide a natural outlet for silver, much preferable to an artificial one created by legislation.

The gold standard should therefore be adopted by all States; and there is sufficient gold for it. The production of gold is now half a milliard of francs [£20,000,000] per year, and will not diminish. Even if the States which now have a forced paper currency resumed specie payments, they could only

* Dr. Broch does not show how this is to be done; with gold ever increasing in value and silver demonetized, it is at least difficult to see one's way towards it; and it is surely less chimerical to hope that Europe may remonetize silver than to expect the nations to agree to a universal disarmament. The re-habilitation of silver is one of the ways of neutralizing to a *certain extent* the loss of power of production caused by the increase in standing armies, and is therefore all the more desirable.—A. C. T.

do so gradually, and they have already a certain stock of gold. There is no danger in maintaining the *status quo*, but all States should prepare to adopt the gold standard, as the future belongs to gold, and to gold only, in the civilized countries of the West.

M. Moret y Prendegast (Spain) asked that in consequence of the great importance of the proposals made by the delegates of Great Britain, India, and Canada, the Conference should modify the order of its proceedings.

On the one part the communication of the first German delegate (Baron Thielmann) raised questions of exceptional importance and to which the majority of the Governments represented at the Conference were not ready to reply. On the other part the English, Indian, and Canadian declarations, though showing an intention to resist the introduction of a certain monetary system, still showed not only sympathy with the efforts of the Conference, but a disposition to help it under conditions and to an extent which it was not possible to define at present.

The delegates and their governments would wish to study and to thoroughly examine the proposals, to consult competent financial authorities, and to come to an agreement. He therefore proposed:—

(1) To give up one sitting at an early date to the general discussion of the German, English, Indian, and Canadian declarations, so as to ascertain their value and bearings.

(2) To adjourn to a date, which the Conference could fix or could leave to the President to fix, but which should be in any case sufficiently distant to permit negotiations to be undertaken and pursued.

M. Vrolik (Holland) remarked that the adjournment of the Conference to a date perhaps uncertain and at any rate distant, might be interpreted in an unfavourable sense, especially if it were made at the beginning of their labours, at the very moment when they had just adopted a programme of deliberations, and had completed their number by the arrival of the delegates of Great Britain, India, and Canada. It seemed that the proposal of the Spanish delegate could not be accepted unless the adjournment of the Conference were preceded by a discussion, more or less long, of the different points indicated in the list of questions, which the Conference had taken as the basis of its deliberations.

The President (M. Magnin) proposed to the Conference to reconcile the two proposals of the delegates of Spain and Holland by continuing the general discussion of the list of questions, and by then examining each of the paragraphs of which it was composed, but without coming to any resolutions and without voting on the questions in it.

It would be after the examination of these different doctrines that the proposal for adjournment, made by M. Moret, could most usefully be brought forward.

The delegates of Spain (M. Moret) and of Holland (M. Vrolik) having agreed to this plan, the continuance of the general discussion was fixed for Saturday, the 7th May, at 2 p.m.

APPENDIX A.

PROPOSITIONS PRESENTED TO THE COMMITTEE BY M. HENRI CERNUSCHI.

Paris, 30th April, 1881.

The Conference could reserve the practical questions, place the bi-metallic debate in the second line, and begin its labours by a general discussion on the theory of money. Science first, interests afterwards.

Convinced of the utility of this method, the undersigned has put into shape the following propositions, and he hopes that the Committee will submit them to the Conference.

Henri Cernuschi.

Propositions.*

I. Money is a legal and mathematical value.

II. A legal value, because it is the legislator who fixes the substance of which the money shall be made, and who gives it a compulsory currency.

III. A mathematical value, because the value of money is in an inverse proportion to its mass, *i.e.*, to the quantity of it which exists.

IV. Free mintage without limit of quantity, and forced currency without limit of amount, have the effect of converting into one single monetary mass the whole of the bullion, whether old or new, whether coined or coinable.

V. Metallic money is automatically issued: the limit of issue is not fixed by any one. Paper money is issued by Government; the limit of its issue is fixed by Government.

* I have not in every case adopted the translation which M. Cernuschi has himself given in his English version, as I venture to think that the exact sense can sometimes be more accurately given by expressions differing from those of which he has made use.—A. C. T.

VI. Paper money is only national money. Metallic money may be international money.

VII. For it to be international money, the law must be similar in several States. Either gold or silver must be their common money, with unlimited coinage and forced currency.

VIII. The value of money changes, if the monetary mass changes in bulk.

IX. If a commodity changes in value, its price changes, but the price of all other commodities and of all goods does not change. If a change takes place in the volume, and consequently in the value, of money, all prices change with it.

X. Debts and credits, funds, incomes, pensions, life-assurances, all contracts for the future transmission of capital, are fixed in money. If the value of money changes, all those who will have to pay or all those who will have to receive will be injured.

XI. In order to ensure the stability of prices, and for the security of time-contracts, it is necessary that the value of money should be stable.

XII. It is necessary to take for the monetary mass a mass which shall be as little as possible subject to diminution of volume, and which shall be, on the contrary, susceptible of increase of volume, for increase is in itself necessary to the stability of the value of money.

XIII. With silver and gold there are obtained two masses, which are both fit to serve as the monetary mass. The silver mass is better than the gold mass. No other substance exists of which a good monetary mass could be made.

XIV. Coin, the mintage of which is not free, is only national money. The coin, if melted, becomes a commodity, and one which is far from being worth what the coin was worth.

XV. The value which gold and silver might have as commodities, if they were not taken by law for monetary

masses, is not an essential element in the value of money.

XVI. Money is created to measure the relative values of all commodities and of all goods. Things which measure cannot themselves be measured. The value of money cannot be measured or estimated.

XVII. Money is the material which is used to pay for all which is bought or sold. The material which is used for payments is itself unpurchaseable and unsaleable. Silver is unpurchaseable and unsaleable in countries which have a mono-metallic silver standard. Gold is so in countries which have a mono-metallic gold standard.

APPENDIX B.

LIST OF QUESTIONS PRESENTED TO THE COMMITTEE BY MR. DANA HORTON.

I.

QUESTIONS CONCERNING THE NATURE AND HISTORY OF MONEY.

Does history tell of any development of civil society where there was no imposition and no payment of tribute and taxes, fines and damages?

Does not civilization imply the presence of money as a civil institution, an integral portion of the State, and that which is legal tender in discharge of the obligations mentioned shall also be an acceptable instrument of valuation on the part of the State and of individuals, a convenient medium of commercial exchange, and shall thus become an almost omnipresent element of private contracts?

Has not monetary law, which has created almost the entire use made of the precious metals, likewise created nearly the whole of their value?

Where several commodities are elevated to the rank of money in different countries, either singly or jointly, at some ratio of equivalence (fixed by national monetary law), does not the total monetary law of countries which use either or all these commodities as money entirely control the relative employment for them, so that at any given time the rate of their equivalence with each other, whether as actual or potential money, is merely the result of the complex forces of the existing monetary law?

Is the principle of freedom of contract or freedom of exchange opposed to the simultaneous employment of silver and gold money at a fixed ratio established by the law?

II.

Questions concerning the Modern Monetary Policy (before 1873) of Certain States, and its influence upon the Stability of the Purchasing Power of Money.

In General.

A.—Stability of domestic purchasing power.

B.—Maintenance of steady par between different systems of money.
In general.

Waiving all questions of the methods of correctly ascertaining general averages of prices, is not stability of average purchasing power the chief desideratum in money?

Is not a general reduction of average prices accompanied by a prolonged and insidious crisis?

A.

Stability of domestic purchasing power.

Has not each nation, in the proportion of the activity of its people in production and exchange, an equal interest in the stability of the average purchasing power (at home) of its money?

Did not the prohibition of silver coinage in England after 1798, at a time when a war demand for gold had compelled the use of paper money, increase the divergence between paper and gold, and assist in maintaining a situation which made the retention of paper money necessary?

Did not England's replacement of this paper money by gold alone (1815-1821), withdrawing from its accustomed channels of circulation a considerable portion of the world's stock of gold at a period when the annual product had been and remained notably deficient, and when the monetary condition of other countries rendered probable a general subsidence of prices, expose England and the Western World to a considerable rise in the purchasing power of money?

What would be the effect if a single nation should, in changing its present monetary laws, sensibly increase its stock of gold?

B.

Maintenance of the par between Different Systems of Money.

Has not each nation, in the proportion of its relations with foreign nations, either through commerce or through international investments, an interest in the stability of the rate of equivalence between its own money and that of the nation with which it has dealings?

Reviewing the monetary policy of the century-and-a-half before 1873, during which period monetary law had upheld for silver and gold that position of domestic and international money which they had enjoyed since the origin of civilization, but had omitted by concurrent or identical legislation to fix the ratio of equivalence between them more closely than is indicated by 14·50 to 16 as the limits of its fluctuation, it is asked whether this fluctuation would not have been materially less:

1. Had England, in 1717 or afterwards, conformed her silver and gold ratio to that of France?

2. Had France, in 1785 or 1803, adopted the ratio of 15 instead of that of 15·50?

3. Had England abstained from outlawing silver as domestic money in 1798 or in 1816?

4. Had the United States, in 1834-1837, adopted the ratio 15·50 or 15·62?

With reference to the same period, it may be asked whether, in addition to the instability inflicted upon international trade and international investment by the conflicting gold policy of these States, this conflict of policy is not likewise chargeable with the time and labour and capital consumed in effecting exchanges of one kind of money with another, which arose directly from the fluctuations in this rate of equivalence?

Has the convenience of mankind been served by making gold lighter and silver heavier—that is to say, by a series of legislative acts which have altered the rate of divergence between them from 14·50 to 15·50, 16 or 18?

What portion of the total of monetary law is the efficient cause of the steadiness of the rate of equivalence between gold and silver in the period between 1803 and 1873?

What would have been the influence upon this rate of equivalence, had England and France demonetized gold after the gold discoveries (1849-1851)?

III.

Questions Concerning the Monetary Policy since 1873.

A.

Did not important reductions in the domestic average of prices occur throughout the Western World in the years following 1873?

Have not coincident changes in monetary law, reducing the supply of money in the Western World by withdrawal of legal tender power from existing silver coins, by excluding silver from coinage, and by checking the circulation of existing money, been the controlling factor in this reduction?

Does not the existing state of business in Europe and America demand, as a condition to the maintenance of the present general average of prices, a considerable annual increase of the material used by them as money?

Do not existing probabilities point to a diminished annual production of gold in the future?

Does not the present general exclusion of silver from mintage in the Western World, directing monetary demand upon a stock of gold scantily reinforced, promise, if continued, the evils connected with a reduction of general averages of prices, or an excessive extension of the use of paper money and of transfers of title to money?

B.

Can there be any other important causes for the abrupt divergence of the rate of equivalence between silver and gold in international trade which has occurred since 1873, than the withdrawal from silver and transfer to gold of an important part of the normal monetary employment of Europe for silver?

Had Germany adopted the silver and gold standard at 15½ to 1 in 1871-1873, would not the higher degree of steadiness in the world's markets have been attained?

Would not the accession of England to a bi-metallic union of Continental States with the United States of America put the par of the metals throughout the world in condition to withstand undisturbed any change of mass through discovery of either metal of which history gives precedent?

Is it not desirable that there should be uniformity between the States represented in the Conference in the seigniorage, or in the charge made in commutation of interest for the time consumed at the Mint in converting bullion into money?

APPENDIX C.

SECTION I.

Relation of the Price of Gold to that of Silver according to the Monthly Average Price of Silver in the London Market, by Dr. O. J. Broch.

Years.	Jan.	Feb.	Mar.	April	May.	June	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Annual average.
1845	15·85	15·92	15·95	16·05	16·22	15·98	15·95	15·88	15·88	15·82	15·80	15·92	15·93
1846	15·90	15·92	15·92	15·95	15·98	15·98	15·97	15·95	15·95	15·92	15·73	15·68	15·91
1847	15·68	15·62	15·62	15·65	15·98	15·97	15·92	15·73	15·78	15·92	15·95	15·95	15·82
1848	15·95	15·90	15·93	15·95	15·97	15·85	15·85	15·77	15·78	15·77	15·83	15·85	15·87
1849	15·97	15·78	15·72	15·75	15·75	15·82	15 82	15·77	15·80	15·88	15·85	15·85	15·81
1850	15·82	15·82	15·82	15·82	15·82	15·82	15·78	15·73	15·72	15·65	15·52	15·33	15·72
1851	15·30	15·32	15·33	15·33	15·43	15·43	15·52	15·49	15·57	15·65	15·62	15·52	15·46
1852	15·52	15·59	15·62	15·68	15·75	15·73	15·64	15·62	15·62	15·49	15·32	15·35	15·58
1853	15·36	15·38	15·36	15·36	15·41	15·46	15·35	15·30	15·21	15·40	15·14	15·27	15·33
1854	15·27	15·29	15·26	15·26	15·27	15·36	15·36	15·40	15·36	15·40	15·36	15·32	15·33
1855	15·33	15·32	15·36	15·52	15·43	15·33	15·33	15·33	15·29	15·36	15·41	15·36	15·36
1856	15·40	15·38	15·47	15·46	15·43	15·43	15·40	15·35	15·24	15·21	15·15	15·18	15·34
1857	15·19	15·24	15·27	15·27	15·33	15·26	15·29	15·24	15·32	15·26	15·29	15·26	15·27
1858	15·35	15·27	15·32	15·36	15·33	15·33	15·44	15·47	15·51	15·40	15·29	15·30	15·36
1859	15·24	15·27	15·26	15·18	15·12	15·19	15·13	15·21	15·27	15·21	15·21	15·21	15·21
1860	15·18	15·19	15·18	15·29	15·30	15·40	15·44	15·36	15·30	15·29	15·32	15·35	15·30
1861	15·38	11·41	15·24	15·44	15·43	15·57	15·67	15·64	15·57	15·52	15·47	15·43	15·48
1862	15·35	15·32	15·38	15·41	15·40	15·33	15·46	15·41	15·38	15·33	15·21	15·29	15·36
1863	15·29	15·33	15·33	15·43	15·38	15·35	15·44	15·46	15·43	15·38	15·35	15·35	15·38
1864	15·23	15·33	15·33	15·54	15·46	15·40	15·41	15·38	15·33	15·46	15·47	15·39	15·39
1865	15·33	15·35	15·41	15·54	15·54	15·57	15·55	15·54	15·51	15·44	15·10	15·32	15·43
1866	15·32	15·43	15·47	15·65	15·32	15·19	15·35	15·57	15·51	15·46	15·47	15·49	15·44
1867	15·49	15·53	15·52	15·46	15·55	15·59	15·59	15·60	15·63	15·61	15·66	15·61	15·57
1868	15·62	15·59	15·54	15·55	15·59	15·62	15·61	15·64	15·66	15·64	15·59	15·54	15·61
1869	15·53	15·49	15·57	15·57	15·65	15·68	15·64	15·64	15·60	15·61	15·59	15·59	15·60
1870	15·57	15·60	15·59	15·61	15·60	15·60	15·45	15·59	15·62	15·59	15·56	15·58	15·60
1871	15·57	15·58	15·61	15·66	15·66	15·63	15·57	15·54	15·52	15·60	15·50	15·52	15·58
1872	15·50	15·45	15·51	15·57	15·68	15·70	15·68	15·68	15·61	15·70	15·85	15·79	15·64
1873	15·75	15·75	15·75	15·78	15·82	15·88	15·90	15·96	16·00	16·05	16·26	16·25	15·93
1874	16·05	16·05	16·00	16·01	16·06	16·06	16·96	16·26	16·32	16·33	16·26	16·40	16·16
1875	16·38	16·42	16·51	16·47	16·61	16·74	16·90	16·76	16·63	16·56	16·61	16·74	16·63
1876	16·98	17·38	17·67	17·55	17·80	17·24	19·59	18·07	18·21	17·96	17·50	16·65	17·80
1877	16·35	16·54	17·16	17·40	17·42	17·59	17·44	17·42	17·32	17·13	17·30	17·20	17·19
1878	17·53	17·38	17·30	17·44	17·62	17·76	17·92	17·97	18·33	18·71	18·65	18·87	17·96
1879	18·84	18·88	19·03	18·97	18·47	18·18	18·18	18·29	18·29	18·11	17·66	17·94	18·39
1880	17·96	18·05	18·14	18·13	18·09	17·97	17·90	17·90	18·02	18·11	18·22	18·19	18·06

SECTION

Production of Gold and of Silver in the World accessible

1 kilogram of fine gold=$3444\frac{4}{9}$ francs in comparison with the gold piece of 10 francs.

Table 1.—Production of Gold and of Silver since the discovery of America

Periods.	Number of years.	Annual average production.			
		By weight in kilograms.		By value in francs.	
		Fine gold.	Fine silver.	Gold.	Silver.
		Kilog.	Kilog.	Francs.	Francs.
1493-1520	28	5,800	47,000	19,980,000	10,440,000
1521-1544	24	7,160	90,200	24,660,000	20,040,000
1545-1560	16	8,510	311,600	29,310,000	69,240,000
1561-1580	20	6,840	299,500	23,560,000	66,560,000
1581-1600	20	7,380	418,900	25,420,000	93,100,000
1601-1620	20	8,520	422,900	29,350,000	93,980,000
1621-1640	20	8,300	393,600	28,590,000	87,470,000
1641-1660	20	8,770	366,300	30,210,000	81,400,000
1661-1680	20	9,260	337,000	31,900,000	74,900,000
1681-1700	20	10,765	341,900	37,080,000	76,000,000
1701-1720	20	12,820	355,600	44,160,000	79,000,000
1721-1740	20	19,080	431,200	65,720,000	95,800,000
1741-1760	20	24,610	533,145	84,770,000	118,500,000
1761-1780	20	20,705	652,740	72,320,000	145,000,000
1781-1800	20	17,790	879,060	61,280,000	195,300,000
1801-1810	10	17,778	894,150	61,240,000	198,700,000
1811-1820	10	11,445	540,770	39,420,000	120,200,000
1821-1830	10	14,216	596,450	48,970,000	102,300,000
1831-1840	10	20,289	450,560	69,900,000	132,500,000
1841-1850	10	54,759	780,415	188,600,000	173,400,000
1851-1855	5	197,515	886,115	680,300,000	196,900,000
1856-1860	5	206,058	904,990	709,800,000	201,100,000
1861-1865	5	185,123	1,101,150	637,600,000	244,700,000
1865-1870	5	191,900	1,339,085	661,000,000	297,600,000
1871-1875	5	170,675	1,969,425	588,000,000	437,600,000
1876	1	171,700	2,365,000	591,500,000	525,500,000
1877	1	182,800	2,428,000	629,800,000	539,500,000
1878	1	183,700	2,603,000	632,600,000	578,300,000
1879	1	156,900	2,557,000	540,300,000	568,200,000
1876-1879	4	173,775	2,488,250	598,550,000	552,875,000
1493-1600	108	6,990	211,400	24,070,000	46,280,000
1601-1700	100	9,123	372,340	31,430,000	82,750,000
1701-1800	100	19,001	570,350	65,440,000	126,720,000
1801-1850	50	23,698	654,480	81,620,000	145,420,000
1851-1879	29	187,973	1,312,300	647,520,000	313,840,000
1493-1879	387	Total Production.....................			

II.

TO WESTERN CIVILIZATION, BY DR. O. J. BROCH (Norway).

1 kilogram of fine silver=222⅔ francs in comparison with the silver piece of 5 francs.

up to 1879, according to Dr. Soëtbeer of Göttingen (1879 and 1880).

Total production.				Average proportion of the value of gold and of silver in Europe.
By weight in kilograms.		By value in francs.		
Fine gold.	Fine silver.	Gold.	Silver.	
Kilog.	Kilog.	Francs.	Francs.	
162,400	1,316,000	560,000,000	292,000,000	11.3
171,800	2,165,000	592,000,000	481,000,000	11.2
136,200	4,986,000	469,000,000	1,108,000,000	11.3
136,800	5,990,000	471,000,000	1,331,000,000	11.7
147,600	8,378,000	508,000,000	1,862,000,000	11.9
170,400	8,458,000	587,000,000	1,880,000,000	13.0
166,000	7,872,000	572,000,000	1,749,000,000	13.4
175,400	7,326,000	604,000,000	1,628,000,000	13.8
185,200	6,740 000	638,000,000	1,498,000,000	14.7
215,300	6,838,000	742,000,000	1,520,000,000	15.0
256,400	7,112,000	883,000,000	1,580,000,000	15.2
381,600	8,624,000	1,314,000,000	1,916,000,000	15.1
492,200	10,663,000	1,695,000,000	2,370,000,000	14.8
414,100	13,055,000	1,426,000,000	2,900,000,000	14.8
355,800	17,581,000	1,226,000,000	3,906,000,000	15.1
177,800	8,942,000	612,000,000	1,987,000,000	15.6
114,400	5,408,000	394,000,000	1,202,000,000	15.5
142,200	4,606,000	490,000,060	1,023,000,000	15.8
202,900	5,964,000	699,000,000	1,325,000,000	15.7
547,600	7,804,000	1,886,000,000	1,734,000,000	15.8
987,600	4,431,000	3,402,000,000	985,000,000	15.4
1,030,000	4,525,000	3,549,000,000	1,006,000,000	15.3
925,600	5,506,000	3,188,000,000	1,223,000,000	15.4
959,500	6,695,000	3,305,000,000	1,488,000,000	15.6
853,400	9,847,000	2,940,000,000	2,188,000,000	16.0
"	"	"	"	17.80
"	"	"	"	17.19
"	"	"	"	17.96
"	"	"	"	18.39
695,100	9,953,000	2,394,000,000	2,211,000,000	17,40
754,800	22,835,000	2,600,000,000	5,074,000,000	11.5
912,300	37,234,000	3,143,000,000	8,275,000,000	14.0
1,900,100	57,035,000	6,544,000,000	12,672,000,000	15.0
1,184,900	32,724,000	4,081,000,000	7,271,000,000	15.7
5,451,200	40,957,000	18,778,000,000	9,101,000,000	15.85
10,203,300	190,785,000	35,146,000,000	42,393,000,000	

Table 2.—Production of Gold and of Silver since the discovery of America of the Statistical Department of

	Number of years.	Annual average production.			
		By weight in kilograms.		By value in Francs.	
		Fine gold.	Fine silver.	Gold.	Silver.
		Kilog.	Kilog.	Francs.	Francs.
1493-1580	88	3,000	98,400	11,260,000	21,850,000
1581-1600	20	4,390	317,800	15,150,000	70,650,000
1601-1620	20	3,660	261,000	12,600,000	58,000,000
1621-1640	20	4,250	286,000	14,650,000	63,500,000
1641-1660	20	4,250	286,000	14,650,000	63,500,000
1661-1680	20	4,100	277,000	14,100,000	61,600,000
1681-1700	20	7,530	269,000	26,000,000	59,800,000
1701-1720	20	17,570	238,300	60,500,000	53,000,000
1721-1740	20	32,950	283,700	113,500,000	63,000,000
1741-1760	20	22,700	397,200	78,200,000	88,300,000
1761-1780	20	14,650	499,400	50,400,000	111,000,000
1781-1800	20	14,650	681,000	50,400,000	151,300,000
1801-1810	10	14,790	795,200	50,900,000	176,700,000
1811-1820	10	10,540	510,500	36,300,000	113,400,000
1821-1830	10	15,520	483,700	53,500,000	107,500,000
1831-1840	10	20,940	479,000	72,100,000	106,400,000
1841-1850	10	47,870	742,100	210,300,000	164,900,000
1851-1855	5	214,000	921,000	137,200,000	204,600,000
1856-1860	5	202,000	925,200	695,100,000	205,600,000
1861-1865	5	167,600	1,080,000	577,400,000	240,000,000
1866-1870	5	163,800	1,152,800	564,000,000	256,200,000
1871-1875	5	144,200	1,534,000	496,400,000	340,800,000
1876	"	131,800	1,725,000	454,000,000	383,000,000
1877	"	141,300	1,669,000	487,200,000	371,000,000
1878	"	122,300	1,485,000	421,000,000	330,000,000
1876-1878	3	131,800	1,626,000	454,000,000	361,000,000
1493-1600	108	3,260	139,000	11,200,000	30,200,000
1601-1700	100	4,760	275,800	16,400,000	61,300,000
1701-1800	100	20,500	419,900	70,600,000	93,300,000
1801-1850	50	21,900	602,000	84,600,000	133,800,000
1851-1878	28	173,300	1,176,400	597,000,000	261,400,400
1493-1878	386		Total Production	....	

up to 1878, according to Mr. Alexander Mardle, M.E., formerly Director the United States (London, 1880).

Total production.			
By weight in Kilograms.		By value in Francs.	
Fine gold.	Fine silver.	Gold.	Silver.
Kilog.	Kilog.	Francs.	Francs.
264,500	8,656,000	911,000,000	1,923,000,000
87,900	6,356,000	303,000,000	1,413,000,000
73,200	5,221,000	252,000.000	1,160,000,000
84,900	5,720,000	293,000,000	1,271,000,000
84,900	5,720,000	293,000,000	1,271,000,000
82,000	5,539,000	282,000,000	1,231,000,000
150,600	5,380,000	520,000,000	1,196,000,000
351,500	4,767,000	1,211,000,000	1,059,000,000
659,000	5,675,000	2,270,000,000	1,261,000,000
454,000	7,945,000	1,564,000,000	1,766,000,000
292,900	9,988,000	1,009,000,000	2,220,000,000
292,900	13,620,000	1,009,000,000	3,027,000,000
147,900	7,952,000	509,000,000	1,767,000,000
105,400	5,105,000	363,000,000	1,134,000,000
155,200	4,837,000	535,000,000	1,075,000,000
209,400	4,790,000	721,000,000	1,064,000,000
478,700	7,421,000	2,103,000,000	1,649,000,000
1,070,000	4,605,000	3,686,000,000	1,023,000,000
1,010,000	4,626,000	3,478,000,000	1,028,000,000
838,000	5,400,000	2,887,000,000	1,200,000,000
819,000	5,764,000	2,820,000,000	1,281,000,000
721,000	7,670,000	2,482,000,000	1,704,000,000
395,400	4,879,000	1,362,000,000	1,084,000,000
352,400	15,012,000	1,214,000,000	3,336,000,000
475,600	27,580,000	1,640,000,000	6,129,000,000
2,050,300	41,995,000	7,063,000,000	9,333,000,000
1,096,600	30,105,000	4,231,000,000	6,689,000,000
4,853,400	32,944,000	16,715,000,000	7,320,000,000
8,828,300	147,636,000	30,863,000,000	32,807,000,000

Table 3.—Production of Gold and of Silver according to the estimate of Mr. Burchard, Director of the Mint of the United States (Washington, 1880.)

Years.	By weight in Kilograms.		By value in Francs.	
	Fine gold.	Fine silver.	Gold.	Silver.
	Kilog.	Kilog.	Francs.	Francs.
1877	171,400	2,175,000	590,500,000	483,000,000
1878	179,100	2,326,000	616,900,000	517,000,000
1879	158,500	2,175,000	546,600,000	483,000,000

Table 4.—Exportation of Australian Gold, including Tasmania and New Zealand (not including intercolonial transport of Gold) according to the "Statistical Abstracts."

Financial years.	Weight of fine gold in kilograms.	Value of gold exported in francs.
	Kilog.	Francs.
1/5 1850 — 30/4 1851	6,570	22,600,000
1851 — 1852	69,370	238,900,000
1852 — 1853	76,200	262,500,000
1853 — 1854	75,120	258,800,000
1854 — 1855	81,040	279,200,000
1855 — 1856	91,860	316,400,000
1856 — 1857	82,960	285,800,000
1857 — 1858	83,620	288,000,000
1858 — 1859	85,240	293,600,000
1859 — 1860	74,590	256,900,000
1860 — 1861	79,930	275,300,000
1861 — 1862	76,560	263,700,000
1862 — 1863	83,980	289,300,000
1/5 1863 — 30/4 1864	66,090	227,600,000
1/5 1864 — 30/4 1865	69,810	240,500,000
1/5 1865 — 30/4 1866	70,430	242,600,000
1/4 1866 — 31/3 1867 (11 months)	64,420	221,500,000
1/4 1867 — 31/3 1868	68,470	235,900,000
1868 — 1869	76,030	261,900,000
1869 — 1870	60,320	207,800,000
1870 — 1871	55,690	191,800,000
1871 — 1872	55,630	191,600,000
1872 — 1873	68,610	236,300,000
1873 — 1874	56,110	193,300,000
1874 — 1875	50,890	175,300,000
1875 — 1876	42,420	146,100,000
1876 — 1877	55,650	191,700,000
1/4 1877 — 31/3 1878	42,680	147,000,000
1/5 1850 — 31/3 1878 for 28 years, total exportation of gold from Australia	1,870,290	6,441,900,000

Table 5.—Production of Gold and Silver in the United States, according to the estimate of the Director of the Washington Mint.

Years ending 30th June.	By weight in kilograms.		By value in francs.	
	Fine gold.	Fine silver.	Gold.	Silver.
	Kilog.	Kilog.	Francs.	Francs.
1845	1,500	..	5,200,000	..
1846	1,700	..	5,700,000	..
1847	1,300	..	4,600,000	..
1848	15,000	..	52,000,000	..
1849	60,200	..	207,000,000	..
1850	75,200	..	259,000,000	..
1851	82,800	..	285,000,000	..
1852	90,300	..	311,000,000	..
1853	97,800	..	337,000,000	..
1854	90,300	..	311,000,000	..
1855	82,800	..	285,000,000	..
1856	82,800	..	285,000,000	..
1857	82,800	..	285,000,000	..
1858	75,200	12,000	259,000,000	2,700,000
1859	75,200	2,400	259,000,000	500,000
1860	69,200	3,600	238,000,000	800,000
1861	64,700	48,100	223,000,000	10,700,000
1862	59,000	108,300	203,000,000	24,000,000
1863	60,200	204,500	207,000,000	44,400,000
1864	69,400	264,600	239,000,000	58,800,000
1865	80,100	270,600	276,000,000	60,100,000
1866	80,500	240,600	277,000,000	53,500,000
1867	77,800	324,800	268,000,000	72,200,000
1868	72,200	288,700	249,000,000	64,100,000
1869	74,500	288,700	257,000,000	64,100,000
1870	75,200	384,900	259,000,000	85,500,000
1871	65,400	553,300	225,000,000	123,800,000
1872	54,200	691,600	187,000,000	153,700,000
1873	54,200	860,000	187,000,000	191,100,000
1874	60,200	769,800	207,000,000	171,000,000
1875	60,200	769,800	207,000,000	171,000,000
1876	66,700	998,300	230,000,000	219,400,000
1877	67,900	937,000	234,000,000	208,200,000
1878	71,100	1,124,000	245,000,000	249,800,000
1879	58,500	981,800	202,000,000	218,200,000
1880	54,200	906,900	187,000,000	201,500,000
Total Production. (36 years for gold, 23 years for silver.)	2,310,300	11,034,300	7,957,000,000	2,410,400,000

NOTE PRESENTED

Remittances to India by Indian Council Bills, importations and exportations of the precious metals.

In India, a single silver standard: 1 rupee = 180 troy grains of silver of the standard of $\frac{11}{12}$.

In the United Kingdom of Great Britain and Ireland a single gold standard: £1 sterling = $123\frac{171}{623}$ troy grains of gold of the standard of $\frac{11}{12}$.

Financial Years.	Average ratio of Gold to Silver in the London Market.	Corresponding value of rupees in shillings and pence.	Remittances to India by Indian Council Bills in gold and silver. Average rate of the Bills in London.	Indian Council Bills sold in London.	Importation of Gold to India.	Importation of Silver to India.	Total amount of remittances in
		s. d.	s. d.	Lakhs of rupees.	£ sterling.	Lakhs of rupees.	Lakhs of rupees.
$\frac{1}{5}$1855—$\frac{30}{4}$1856..........	15·38	1-10$\frac{13}{16}$	2- 0$\frac{1}{4}$	147·4	2,508,353	879·3	1,277·5
1856— 1857..........	15·28	1-10$\frac{15}{16}$	2- 0$\frac{3}{16}$	279·9	2,176,002	1,223·8	1,721·3
1857— 1858..........	15·30	1-10$\frac{7}{8}$	2- 0$\frac{7}{16}$	61·4	2,830,084	1,298·5	1,642·9
1858— 1859..........	15·33	1-10$\frac{7}{8}$	2- 1$\frac{11}{16}$	2·4	4,437,334	838·0	1,284·1
1859— 1860..........	15·20	1-11$\frac{1}{16}$	2- 2	0·4	4,288,037	1,206·9	1,636·1
1860— 1861..........	15·35	1-10$\frac{13}{16}$	2- 2	0·1	4,242,441	643·5	1,067·8
1861— 1862..........	15·48	1-10$\frac{5}{8}$	2- 1$\frac{7}{8}$	120·0	5,190,432	976·2	1,615·2
1862— 1863..........	15·35	1-10$\frac{13}{16}$	1-11$\frac{5}{16}$	666·4	6,881,569	1,362·7	2,717·3
1863— 1864..........	15·38	1-10$\frac{13}{16}$		926·9	8,925,412	1,403·7	3,223·2
1864— 1865..........	15·41	1-10$\frac{3}{4}$		700·9	9,875,032	1,148·3	2,836·7
$\frac{1}{5}$1865—$\frac{30}{4}$1866..........	15·45	1-10$\frac{11}{16}$		722·5	6,372,894	2,018·4	3,378·2
$\frac{1}{5}$1866—$\frac{31}{3}$1867 (11 mo.)..	15·45	1-10$\frac{11}{16}$		579·5	4,581,472	865·5	1,903·2
$\frac{1}{4}$1867—$\frac{31}{3}$1868..........	15·45	1-10$\frac{11}{16}$		427·1	4,775,924	699·9	1,604·6
1868— 1869..........	15·58	1-10$\frac{1}{2}$		382·5	5,176,976	997·9	1,898·1
1869— 1870..........	15 59	1-10$\frac{1}{2}$	1-11$\frac{1}{4}$	720·0	5,690,400	826·4	2,115·5
1870— 1871..........	15·58	1-10$\frac{1}{2}$	1-10$\frac{1}{2}$	901·0	2,782,574	266·2	1,445·5
1871— 1872..........	15·55	1-10$\frac{9}{16}$	1-11$\frac{1}{8}$	1,070·0	3,573,778	800·0	2,227·4
1872— 1873..........	15·71	1-10$\frac{5}{16}$	1-10$\frac{3}{4}$	1,470·0	2,622,371	193·4	1,930·9
1873— 1874..........	16·00	1- 9$\frac{7}{8}$	1-10$\frac{3}{8}$	1,427·0	1,648,807	414·4	2,011·2
1874— 1875..........	16·28	1- 9$\frac{1}{2}$	1-10$\frac{3}{16}$	1,174·0	2,089,236	605·2	1,996·5
1875— 1876..........	16·85	1- 8$\frac{13}{16}$	1- 9$\frac{9}{16}$	1,377·9	1,836,381	346·4	1,920·9
1876— 1877..........	17 56	1- 7$\frac{15}{16}$	1- 8$\frac{1}{2}$	1,485·8	1,443,711	999·2	2,648·1
1877— 1878..........	17·37	1- 8$\frac{3}{16}$	1- 8$\frac{3}{4}$	1,166·6	1,578,927	1,577·7	2,919·5
1878— 1879..........	18·33	1- 7$\frac{1}{8}$	1- 7$\frac{11}{16}$	1,656·5	1,963,149	559·9	2,446·1
$\frac{1}{4}$1879—$\frac{31}{3}$1880..........	18·18	1- 7$\frac{1}{4}$	1- 7$\frac{11}{16}$	1,835·0	2,050,392	960·5	3,035·4
$\frac{1}{5}$1855—$\frac{31}{3}$1880..........	25 years.			19,201·2	99,541,688	23,111·9	52,503·2
Annual averages in periods of five years.							
$\frac{1}{5}$1855—$\frac{30}{4}$1860..........	15·30	1-10$\frac{7}{8}$	2- 1$\frac{9}{16}$	98·3	3,247,262	1,089·3	1,512·4
$\frac{1}{5}$1860—$\frac{30}{4}$1865..........	15·39	1-10$\frac{3}{4}$	2-	482·9	7,022,983	1,106·9	2,292·0
$\frac{1}{5}$1865—$\frac{31}{3}$1870..........	15·50	1-10$\frac{5}{16}$	1-11$\frac{1}{4}$	576·9	5,402,833	1,097 3	2,214·5
$\frac{1}{4}$1870—$\frac{31}{3}$1875..........	15·82	1-10$\frac{1}{8}$	1-10$\frac{9}{16}$	1,208·4	2,543,353	445·8	1,922·3
$\frac{1}{3}$1875—$\frac{31}{3}$1880..........	17·66	1- 7$\frac{3}{16}$	1- 8$\frac{7}{16}$	1,504·9	1,774,512	888·7	2,594·0
Total in millions of francs				4,586 in silver.	2,510 in gold.	5,491 in silver.	
				25 years.			

THE BRITISH INDIAN EMPIRE.

BY DR. O. J. BROCH.

Importation and exportation of merchandise.

1 rupee contains 165 troy grains = 10 gr. 691 mgr. 95 of fine silver = 2 fr. 37·60 in comparison with the 5-franc piece.

1 lakh of rupees = 100,000 rupees = 237,600 francs of silver in comparison with the 5-franc piece.

£1 sterling = $113\frac{1}{6}\frac{1}{23}$ troy grains = 7 g. 322 mg. 39 of fine silver = 25 fr. 22·16 in comparison with the gold piece of 20 francs.

Exportation from India of gold and silver. Gold.	Silver.	Total in	Surplus of remittances to India in Lakhs of Rupees.	Merchandise. Importations to India.	Exportations from India.	Surplus of Exportations.
£ sterling.	Lakhs of rupees.	Lakhs.	Lakhs.	Lakhs of rupees.	Lakhs of rupees.	Lakhs of rupees.
2,108	59·8	60·0	1,217·5	1,394·5	2,304·0	909·5
84,788	116·4	124·9	1,596·4	1,419·5	2,534·0	1,114·5
47,011	77·6	82·3	1,560·6	1,527·5	2,746·0	1,218·5
10,886	65·1	66·2	1,217·9	2,173·0	2,986·0	813·0
3,803	92·1	92·5	1,543·6	2,426·5	2,796·0	369·5
9,872	110·7	111·6	956·2	2,349·4	3,297·0	947·6
6,007	67·5	68·1	1,547·1	2,232·0	3,631·7	1,399·7
33,410	107·7	111·1	2,606·2	2,263·2	4,786·0	2,522·8
27,106	124·1	126·8	3,096·4	2,714·6	6,562·5	3,847·9
35,068	141·0	144·5	2,692·2	2,815·1	6,802·7	3,987·6
648,418	151·5	216·4	3,161·8	2,959·9	6,549·1	3,589·2
739,144	169 2	243·1	1,660·1	2,701·5	4,186·0	1,484·5
166,457	140·5	157·2	1,447·4	3,566·4	5,004·6	1,438·2
17,624	137·8	139·6	1,758·5	3,593·2	5,231·6	1,638·5
98,283	94·4	104·2	2,011·3	3,288·0	5,247·1	1,959·1
500,453	172·0	222·1	1,223·4	3,446·9	5,533·6	2,086·7
8,434	148·7	149·6	2,077·8	3,209·2	6,320·9	3,111·7
79,009	123·0	131·0	1,799·9	3,187·4	5,525·1	2,337·6
266,169	169·2	196·6	1,814·6	3,382·0	5,499·6	2,117·6
215,701	141·0	163·4	1,833·1	3,622·2	5,635·9	2,013·7
1,527,000	470·2	225·0	1,695·9	3,889·2	5,809·2	1,920·0
		417·0	2,231·1	3,744·1	6,101·4	2,357·3
1,110,000	110·0	233·1	2,686·4	4,146·4	6,522·2	2,375·8
2,359,000	163·3	439·3	2,006·8	3,656·6	6,089·4	2,432·8
		192·9	2,842·5	3,974·2	6,717·3	2,743·1
7,996,000	3,152·8	4,218·5	48,284·7	73,682·5	124,418·9	50,736·4
24 years.		25 years.				

Annual averages in periods of five years.

29,719	82·0	85·1	1,417·3	1,788·2	2,673·2	885·0
22,292	110·2	112·4	2,179·6	2,474·9	5,016·0	2,541·1
347,424	141·8	176·5	2,038·0	3,270·9	5,319·8	2,048·9
213,953	150·8	172·5	1,749·8	3,369·6	5,703·0	2,333·4
		285·3	2,308 7	3,882·1	6,247·9	2,365·8
202 in gold.	749 in silver.					
24 years.						

Notes.

Years of the Indian Mutiny. The mutiny broke out on the 4th May, 1857, and only closed in July, 1859. This mutiny is the cause of the small number of Indian Council bills drawn on India.

Years of the Civil War in the United States. The war of secession breaking out on the 12th April, 1861, was the cause of the cotton famine in Europe, and of the considerable increase of Indian cotton.

The conversion of pound sterling in rupees has been made for the years 1855-1872 according to the proportions of — £1 ster. = 10 rupees

For the year	1872-1873	,,	10·2	,,
,,	1873-1874	,,	10·3	,,
,,	1874-1875	,,	10·4	,,
,,	1875-1876	,,	10·7	,,
,,	1876-1877	,,	11·3	,,
,,	1877-1878	,,	11·1	,,
,,	1878-1879	,,	11·7	,,
,,	1879-1880	,,	11·7	,,

Years of famine in the Southern and Western parts of India. During these years there were brought to the Mint at Bombay, to be converted into rupees, silver ornaments to the value of—

In 1877-1878......	124	lakhs of rupees
In 1878-1879......	116	,,
In 1879-1880......	92	,,
Total......	332	,,

Say 79 millions of francs in silver.

[Or £3,160,000.]

SECTION IV.

TABLE OF THE PRICE OF CEREALS AT THE MARKETS OF COPENHAGEN, HAMBURG, BERLIN, LONDON, AND IN FRANCE, BY DR. O. J. BROCH.

Table 1.—The Copenhagen Market.

Average Price of Cereals in the diocese of Själand (Denmark), according to a Memorandum of M. W. Scharling, Professor of Political Economy at the University of Copenhagen, up to 1869, and according to the Official Statistics of the kingdom of Denmark for the last 10 years.

The Prices are reduced by M. W. Scharling to silver, and expressed in rigsdalers per tönde. They are reduced into Francs per hectolitre according to the following ratios: 1 tönde=1 h 39; 1 rigsdaler=2 fr. 80 cent. In the Official Statistics the Prices are given in crowns per "tonde," and reduced according to the proportion of 72 crowns for 100 francs in gold.

AVERAGE PRICE IN FRANCS PER HECTOLITRE.

Periods.	Rye.	Barley.	Oats.	Years.	Rye.	Barley.	Oats.
	fr. c.	fr. c.	fr. c.		fr. c.	fr. c.	fr. c.
1601—1610	5 81	5 05	..	1850......	7 98	7 12	5 03
1611—1620	5 90	5 56	..	1851......	11 87	8 02	5 56
1621—1630	10 15	7 12	..	1852......	10 57	8 63	5 35
1631—1640	7 67	6 23	3 54	1853......	19 04	12 11	8 15
1641—1650	8 38	6 61	3 50	1854......	13 16	10 03	7 62
1651—1660	7 08	6 09	2 94	1855......	19 37	13 77	9 73
1661—1670	7 54	6 06	3 56	1856......	12 88	11 67	7 89
1671—1681	7 10	5 50	3 77	1857......	10 38	9 98	7 79
1681—1691	6 74	5 31	3 20	1858......	9 68	8 85	6 57
1691—1700	8 76	6 13	3 73	1859......	10 26	9 79	6 68
1701—1710	7 03	5 17	2 86	1860......	11 56	10 61	6 84
1711—1720	7 41	5 52	3 28	1861......	14 76	10 72	6 91
1721—1730	6 49	4 86	2 82	1862......	11 44	9 29	6 48
1731—1740	6 27	4 80	2 51	1863......	9 43	7 85	5 35
1741—1750	7 08	4 63	2 74	1864......	11 29	9 14	7 45
1751—1760	7 22	5 28	3 45	1865......	13 24	10 36	8 13
1761—1770	9 14	6 09	3 50	1866......	12 57	12 30	7 75
1771—1780	8 97	5 94	3 71	1867......	19 24	13 62	9 43
1781—1790	9 86	7 64	4 95	1168......	15 77	14 72	10 76
1791—1800	11 46	7 81	5 37	1869......	10 95	9 37	6 61
1801—1810	17 03	9 77	6 61	1870......	12 52	10 97	7 66
1811—1818	The prices of the paper currency have been so variable that it has been impossible to fix the average price in silver.			1871......	13 97	11 89	7 81
				1872......	13 39	12 85	7 89
				1873......	16 47	14 22	9 40
1819—1830	6 65	4 76	3 47	1874......	14 43	14 00	10 28
1831—1840	8 15	5 92	4 21	1875......	13 69	13 17	9 62
1841—1850	9 35	7 12	5 03	1876......	14 46	13 45	10 08
1851—1860	12 87	10 34	7 22	1877......	12 30	12 78	8 26
1861—1870	13 12	10 84	7 66	1878......	11 05	11 29	7 08
1871—1879	13 57	12 87	8 66	1879......	12 35	12 18	7 48
1819—1850	8 01	5 90	4 21				
1851—1879	13 16	11 30	7 81				

Table 2.—The Hamburgh Market.

(Stock Exchange, January, 1880.)

Average Prices in Francs per 100 kilograms at the beginning of the following years.

Years.	Wheat.	Rye.	Barley.	Oats.	Years.	Wheat	Rye.	Barley.	Oats.
1 Jan.	fr. c.	fr. c.	fr. c.	fr. c.	1 Jan.	fr. c.	fr. c.	fr. c.	fr. c.
1826	11 11	7 65	6 67	5 62	1859. . .	22 47	16 76	15 27	17 13
1827	15 68	15 00	11 67	15 25	1860. . .	24 26	18 52	19 44	17 41
1828	14 32	12 72	9 20	7 72	1861. . .	28 80	19 07	22 41	17 59
1829	28 45	13 64	13 09	10 31	1862. . .	31 30	22 50	17 22	17 50
1830	17 10	10 99	8 76	9 14	1863. . .	25 28	18 80	15 37	14 35
1831	25 62	16 79	13 08	11 27	1864. . .	20 19	14 72	16 11	14 81
1832	20 37	15 99	11 73	9 14	1865. . .	18 89	13 33	14 44	13 80
1833	14 14	11 54	9 44	8 09	1866. . .	25 66	20 09	22 04	19 91
1834	12 84	10 68	7 96	7 04	1867. . .	32 04	21 95	26 20	18 24
1835	12 04	11 42	9 07	7 96	1868. . .	35 93	30 65	25 00	20 83
1836	11 91	10 49	9 38	7 28	1869. . .	26 20	21 85	27 59	21 48
1837	15 43	12 72	10 80	10 06	1870. . .	22 96	17 04	21 02	16 11
1838	14 94	11 85	8 52	7 96	1871. . .	27 78	20 46	21 30	18 98
1839	29 08	17 47	13 70	12 10	1872. . .	30 93	21 85	26 39	18 33
1840	23 08	13 70	13 39	11 42	1873. . .	31 98	25 93	28 40	20 99
1841	18 15	19 26	10 69	11 11	1874. . .	23 95	21 60	26 23	23 08
1842	24 93	15 93	10 49	9 51	1875. . .	23 95	21 23	25 93	23 08
1843	18 64	16 05	11 23	10 56	1876. . .	25 43	20 99	24 17	21 30
1844	19 51	13 95	11 33	11 23	1877. . .	28 64	23 76	24 07	21 67
1845	16 23	11 48	12 16	10 00	1878. . .	27 47	20 68	25 93	20 68
1846	23 58	17 65	12 35	12 28	1879. . .	21 91	16 05	24 69	16 17
1847	27 59	24 38	19 94	16 48	1880. . .	28 95	22 35	25 62	17 90
1848	24 20	15 86	13 33	12 04					
1849	18 09	10 25	11 05	7 59	1826—1830	17 33	12 00	9 88	9 61
1850	17 96	10 37	10 06	7 96	1831—1835	17 00	13 28	10 25	8 70
1851	18 15	14 26	11 91	11 05	1836—1840	18 89	13 25	10 36	9 76
1852	19 51	19 14	14 38	11 30	1841—1845	19 49	15 33	11 26	10 58
1853	21 54	16 54	15 00	12 65	1846—1850	22 28	15 69	13 35	13 27
1854	33 27	28 27	21 17	18 33	1851—1855	24 80	20 12	16 11	13 79
1855	31 54	22 41	18 09	15 62	1856—1860	26 36	19 99	18 16	16 88
1856	37 84	31 23	22 53	18 89	1861—1865	24 89	17 68	17 11	15 61
1857	25 93	17 41	18 09	14 20	1866—1870	28 56	22 32	24 37	19 31
1858	21 30	16 02	15 46	16 75	1871—1875	27 72	22 21	25 65	20 89
					1876—1880	26 48	20 76	24 20	19 54

Table 3.—Berlin Market.

Price of Rye to be delivered next spring.

(1 hectolitre on an average=75 kilograms.)

Years. (1st January.)	Price of 100 kilog. in francs.	Price per hectolitre in francs.	Years. (1st January.)	Price per 100 kilog. in francs.	Price per hectolitre in francs.
	fr. c.	fr. c.		fr. c.	fr. c.
1859............	18 57	13 93	1873........	20 85	15 64
1860............	17 36	13 02	1874........	23 61	17 71
1861............	18 31	13 73	1875........	18 49	13 87
1862............	19 24	14 43	1876........	19 29	14 47
1863............	16 27	12 58	1877........	20 52	15 39
1864............	13 59	10 19	1878........	17 62	13 22
1865............	12 66	9 50	1879........	15 01	11 26
1866............	18 84	14 13	1880........	21 59	16 19
1867............	19 93	14 95	1881........	24 64	18 48
1868............	27 32	20 49			
1869............	18 61	13 96	1859—1860	17 96	13 47
1870............	16 50	12 38	1861—1865	16 11	12 09
1871............	19 93	14 95	1866—1870	20 24	15 18
1872............	20 96	15 72	1871—1875	20 77	15 58
			1876—1880	18 81	14 11

Table 4.—France.

Average price of the hectolitre of Wheat.

(Official Statistics of France.)

Years.	Price of the hectolitre of wheat.	Years.	Price of the hectolitre of wheat.	Years.	Price of the hectolitre of wheat.	Quinquennial periods.	Average prices.
	fr. c.		fr. c.		fr. c.		fr. c.
1821	17 79	1841	18 54	1861	24 55	1821—1825	16 55
1822	15 49	1842	19 55	1862	23 24	1826—1830	20 21
1823	17 52	1843	20 46	1863	19 78	1831—1835	18 01
1824	16 22	1844	19 75	1864	17 58	1836—1840	19 33
1825	15 74	1845	19 75	1865	16 41	1841—1845	19 61
1826	15 85	1846	24 05	1866	19 61	1846—1850	19 76
1827	18 20	1847	29 01	1867	26 19	1851—1855	22 65
1828	22 03	1848	16 05	1868	26 64	1856—1860	19 76
1829	22 59	1849	15 37	1869	20 33	1861—1865	20 31
1830	22 39	1850	14 32	1870	..	1866—1870	23 19
1831	22 10	1851	14 48	1871	25 65	1871—1875	23 77
1832	21 85	1852	17 23	1872	23 15	1876—1879	22 25
1833	15 62	1853	22 39	1873	25 62		
1834	15 25	1854	28 82	1874	25 11		
1835	15 25	1855	30 32	1875	19 32		
1836	17 32	1856	30 75	1876	20 59		
1837	18 53	1857	24 34	1877	23 44		
1838	19 31	1858	16 75	1878	23 00		
1839	22 14	1259	16 74	1879	21 98		
1840	21 84	1860	20 24				

Table 5.—London Market. Average Price of home-grown Wheat.
("The Economist," 1st March, 1875, and 13th May, 1880.)
1 quarter=2·908 hectolitres. 1 liv. st.=20*s.* 91=240*d.*=25 fr. 22 cent. 16.

Years.	Price per Quarter.	Price per Hectolitre.	Years.	Price per Quarter.	Price per Hectolitre.	Years.	Price per Quarter.	Price per Hectolitre.
	s. d.	fr. c.		*s. d.*	fr. c.		*s. d.*	fr. c.
1781 . .	46 1	19 95	1815 . .	65 7	28 43	1848 . .	50 6	21 90
1782 . .	49 3	21 36	1816 . .	78 6	34 04	1849 . .	44 3	19 19
1783 . .	54 3	23 53	1817 . .	96 11	42 03	1850 . .	40 3	17 45
1784 . .	50 4	21 83	1818 . .	86 3	37 40	1851 . .	38 7	16 73
1785 . .	43 1	18 68	1819 . .	74 6	32 31	1852 . .	41	17 78
1786 . .	40	17 35	1820 . .	67 10	29 42	1853 . .	53	22 98
1787 . .	42 5	18 39	1821 . .	56 1	24 32	1854 . .	72 7	31 48
1788 . .	46 4	20 09	1822 . .	44 7	19 33	1855 . .	74 9	32 09
1789 . .	52 9	22 88	1823 . .	53 4	23 13	1856 . .	69 2	30 00
1790 . .	54 9	23 74	1824 . .	63 11	27 72	1857 . .	56 5	24 47
1791 . .	48 7	21 07	1825 . .	68 6	29 71	1858 . .	44 4	19 23
1792 . .	43	18 65	1826 . .	58 8	25 44	1859 . .	43 9	18 97
1793 . .	49 3	21 25	1827 . .	58 6	25 37	1860 . .	53 1	23 02
1794 . .	52 3	22 55	1828 . .	60 5	26 20	1861 . .	55 6	24 07
1795 . .	75 2	32 60	1829 . .	66 3	28 73	1862 . .	55 5	24 03
1796 . .	78 7	34 08	1830 . .	64 3	27 86	1863 . .	42 9	18 54
1797 . .	53 9	23 31	1831 . .	66 4	28 77	1864 . .	40	17 35
1798 . .	51 10	22 48	1832 . .	58 8	25 44	1865 . .	41 10	18 14
1799 . .	69	29 29	1833 . .	52 11	22 95	1866 . .	49 11	21 65
1800 . .	113 10	49 37	1834 . .	46 2	20 02	1867 . .	64 6	27 97
1801 . .	119 6	51 82	1835 . .	39 4	17 06	1868 . .	63 9	27 65
1802 . .	69 10	30 28	1836 . .	48 6	21 03	1869 . .	48 3	21 02
1803 . .	58 10	25 51	1837 . .	55 10	24 21	1870 . .	46 10	20 31
1804 . .	62 3	27 00	1838 . .	64 7	28 01	1871 . .	56 8	24 57
1805 . .	49 9	21 58	1839 . .	70 8	30 65	1872 . .	57 1	24 76
1806 . .	59 1	25 62	1840 . .	66 4	28 77	1873 . .	58 8	25 44
1807 . .	75 4	32 67	1841 . .	64 4	27 90	1874 . .	55 10	24 21
1808 . .	81 4	35 27	1842 . .	57 3	24 83	1875 . .	45 3	19 62
1809 . .	97 4	42 21	1843 . .	50 1	21 72	1876 . .	46 3	20 06
1810 . .	106 5	46 15	1844 . .	51 3	22 23	1877 . .	56 10	24 65
1811 . .	95 3	41 31	1845 . .	50 10	22 04	1878 . .	46 5	20 13
1812 . .	126 6	54 86	1846 . .	54 8	23 71	1879 . .	39 7	17 17
1813 . .	109 9	47 60	1847 . .	69 9	30 25	1880 . .	46 11	20 35
1814 . .	74 4	32 24						

Average Price for quinquennial periods.

1781-1785	48 7	21 07	1826-1830	61 7	26 72	1866-1870	54 8	23 72
1786-1790	47 3	20 49	1831-1835	52 8	22 85	1871-1875	54 8	23 72
1791-1795	53 8	23 22	1836-1840	61 2	26 53	1876-1880	47 2	20 47
1796-1800	73 5	31 70	1841-1845	54 9	23 74			
1801-1805	72 0	31 24	1846-1850	51 11	22 50	1781-1800	55 9	24 12
1806-1810	83 11	36 38	1851-1855	56	24 21	1801-1820	82 9	35 89
1811-1815	94 3	40 89	1855-1860	53 4	23 14	1821-1848	57 7	24 98
1816-1820	80 10	35 04	1861-1865	47 1	20 43	1848-1880	51 7	22 35
1821-1825	57 3	24 84						

On the 27th February 1797, the Bank of London was forbidden by an order to cash its notes. Notes continued to be inconvertible until 1820. At the beginning of this period of enforced currency, bank notes remained nearly at par, but from 1800 to 1809 they were only worth 90 to 97 per cent. of gold, and in 1814 the price was 80 per cent. in proportion to gold. From 1818 they were nearly at par, and in 1820 the Bank began again to cash them in gold.

Custom duties on cereals have been abolished since 1848.

SECTION V.

SYSTEM OF SCANDINAVIAN MONEY, AND MANUFACTURE OF COINS IN THE SCANDINAVIAN MONETARY UNION, IN VIRTUE OF THE CONVENTIONS OF THE 18TH OCTOBER AND THE 27TH MAY, 1873. BY DR. O. J. BROCH.

The three Scandinavian kingdoms—Norway, Sweden, and Denmark—have concluded a monetary convention based on the employment of a single gold standard, and on a common system of paper money, of gold money, and of subsidiary money in debased silver and in bronze.

The monetary unit is the crown, divided into 100 *öre*. The gold coins are of the standard of $\frac{9}{10}$ths, *i.e.*, an alloy of 9 parts gold to 1 part of copper.

Two sorts of gold coins are struck, those of 20 crowns and those of 10 crowns. From the kilogram of fine gold 124 pieces of 20 crowns or 248 pieces of 10 crowns are struck. The weight of these pieces ought to be respectively $\frac{1,000}{124} \times \frac{10}{9} = 8;\ 960{\cdot}57$ grammes and 4,480·29 grammes. Of subsidiary money there are coined pieces of 2 crowns, 1 crown, 50, 40, 25, and 10 *öre*.

The following table gives the standard, the gross weight, the net weight in fine gold or in fine silver, and the diameter of all these coins:—

Metal.	Value of the coins.	Standard.	Gross weight in grammes.	Amount of fine gold or silver in grammes.	Diameter in millimetres.
Gold ..	20 kr.	0,9	8,960,6	3,064,52	23
	10 „		4,480,3	4,032,26	18
Silver ..	2 „	0,8	15,000	12,000	31
	1 „		7,500	6,000	25
	50 öre.	0,6	5,000	3,000	22
	40 „		4,000	2,400	20
	25 „		2,420	1,452	17
	10 „	0,4	1,450	580	15
Bronze	5 „	95 copper.	8,000		27
	2 „	4 tin.	4,000		21
	1 „	1 zinc.	2,000		16

The allowance for the manufacture of gold coins is, as regards the standard, 0·0015; as regards the weight, 0·0015 for the 20 crown pieces and 0·002 for the 10 crown pieces. But besides this, each 10 kilograms of gold coin (1,116 pieces of 20 crowns or 2,232 pieces of 10 crowns) must not differ by more than 5 grains from the exact weight. This is therefore an average allowance of 0·0005.

Gold coins cannot be given in legal payment to individuals when they have lost more than ½ per cent. of their weight by wear; but when they have not lost more than 2 per cent. of their weight by wear, not only can they be given in legal payment at the Government treasuries, but also each of the contracting States is obliged to exchange pieces which are worn by more than ½ per cent. for gold coins (but not more than 2 per cent.) having legal currency as between individuals. In Norway and in Denmark special laws compel the State to take back and exchange for good coin all the gold coins of their mintage which have lost by wear more than ½ per cent., without any limit. In Norway the National Bank has to weigh each piece of money which passes through its hands, and to return to the State all coin which has lost more than ½ per cent. of its legal weight.

Coins which have been fraudulently diminished in weight cease to be legal tender. Coins are struck only at the mints of Stockholm for Sweden, Konigsberg for Norway, and Copenhagen for Denmark. It is conducted by State officers, and cannot be entrusted to contractors.

Anyone who brings to the mint gold coins of which the quantity, standard, and other qualities, correspond to certain conditions, has the right to have it coined by paying ¼ per cent. on pieces of 20 crowns, and ⅓ per cent. for pieces of 10 crowns. No other seigniorage can be demanded beyond this price of the coins.

In Norway the National Bank is by a special law obliged to buy all bar-gold of which the standard is properly certified by paying 2,480 crowns per kilogram of fine gold, after a deduction of ¼ per cent. for the cost of mintage. The kilogram of fine gold, therefore, always fetches at the bank 2,473 crowns and 80 öre; and in Norway it is the bank alone which has gold coins struck.

The subsidiary money of silver and bronze is only legal tender up to 20 crowns for pieces of 2 and 1 crown; up to

5 crowns for the smaller silver coins; and up to 1 crown for the bronze coins.

In each of the three States there are established Government treasuries, where all sums of subsidiary money which are divisable by 10 crowns can be changed into gold. The subsidiary silver and bronze money can only be struck for Government. The Monetary Convention places no limit on this coinage. All the coins in gold, silver, or bronze, struck in virtue of the Monetary Convention, are legal tender on these conditions throughout the three kingdoms.

Table of the Mintage of Coins in the Scandinavian Monetary Union up to 31st December, 1880.

100 francs of gold = 72 kroner (crowns) = 81 German marks.

Name of the Pieces.	Denmark.	Sweden.	Norway.	Scandinavian Monetary Union.
	Kroner. Ore.	Kroner. Ore.	Kroner. Ore.	Kroner. Ore.
Gold 20 kr.	30,086,120 00	31,746,100 00	12,686,480 00	74,518,700 00
Gold 10 kr.	4,668,520 00	7,126,340 00	441,130 00	12,235,990 00
TOTAL....	34,754,640 00	38,872,440 00	13,127,610 00	86,754,690 00
Silver 2 kr.	9,753,950 00	1,718,658 00	600,000 00	12,072,608 00
Silver 1 kr.	5,323,527 00	6,850,297 00	1,800,000 00	13,973,824 00
Silver 50 öre.	,,	1,281,938 50	800,000 00	2,081,938 50
Silver 25 öre.	2,034,625 00	2,072,255 75	800,000 00	4,906,380 75
Silver 10 öre.	1,036,127 80	704,410 00	740,500 00	2,481,037 80
TOTAL....	18,148,229 80	12,627,559 25	4,740,500 00	35,516,289 05
Bronze. TOTAL..	545,038 48	540,865 97	320,000 00	1,405,904 45
TOTAL COINAGE.	53,447,908 28	52,040,865 22	18,188,110 00	123,676,883 50

The total coinage of subsidiary money in debased silver and in bronze is therefore, in the Scandinavian Monetary Union, 36,922,193 crowns 50 öre = 51,280,824 francs, or 4 crowns 34 öre = 6 francs ·03 cents. per head of population.

THIRD SITTING.

SATURDAY, 7th MAY, 1881.

THE delegates who were present at the preceding sitting were again present. The sitting commenced at 2.30 p.m.

The Count di San Miguel, Delegate of Portugal, communicated to the Conference a note on the monetary system of Portugal, on the manufacture of coin in that country, and on the monetary situation in the Portuguese Colonies. (*Vide* Appendix to present sitting.)

M. Cernuschi, Delegate of France, placed on the table of the Conference the following proposition, as a supplement to the suggestion which he made at the last sitting on the subject of the reimbursement of the 96 millions of marks lost by Germany:—

(1) The governments here represented are begged to furnish the Conference with detailed information on the coinage of silver, commencing from the 1st of January, 1874.

(2) To make known the quantity of silver converted into coin, either having unlimited legal tender or limited legal tender, or having currency outside the State which made it.

(3) How much has the metal which was used to make these different coins cost to each State.

(4) How much would it have been necessary to spend in excess to buy the silver which has been coined, if bi-metallism at $15\frac{1}{2}$ had been in force; that is to say, if silver had not ceased to be worth 60 and $\frac{13}{16}$ pence, the English ounce at 37/40 fine.

(5) What is the total amount of the profit realised by the State through purchasing silver at prices lower than 60 and $\frac{13}{16}$ pence.

(6) To make known the amount of the sums manufactured on account of individuals which have produced no profit to Government, and to mention the price which

silver obtained in London at the time when the individuals presented their ingots for coinage.

(7) To indicate, if possible, the production of the ingots, according to the marks which they bore.

(8) To indicate whether the ancient national demonetized coins have been recoined, and if so, for what sums.

(9) To mention whether the banks of issue have themselves presented silver for coinage, and if so, how much; and whether the profit resulting from the difference between the nominal value of the coin and the price of the raw metal has accrued to the banks themselves, or to the State.

(10) To beg the German Government to make known how much silver money the different German States had coined in 1869, 1870, and 1871, and on what date the last thaler and the last florin were coined.

(11) To beg the Austrian Government to make known at what date it ceased to strike double thalers.

(12) To beg the French Government to ask official information on the coinage of silver in Roumania, Servia, Montenegro, and Bulgaria.

The Conference decided that these propositions should be printed and distributed, in order that the delegates might communicate with their respective Governments.

M. Cernuschi asked whether the German Government did not consider it a fitting time to withdraw from circulation the whole of the thalers, which are not at present saleable or meltable, and to replace them by State bank-notes. This operation, which could be very quickly accomplished, would have the double advantage of preventing all clandestine coinage of thalers, and of making known exactly the importance of the stock of silver existing in Germany.

Baron Thielmann, first Delegate of Germany, replied that his instructions did not permit him to transmit to his Government, either officially or as a favour, the proposition which M. Cernuschi had just made; but the Cabinet of Berlin would naturally be informed of it by the insertion of the subject in the Proceedings. Personally he did not think that if the operation proposed by M. Cernuschi were to be carried out in Germany, it could be accomplished within a moderate time. He remarked also that there existed, in fact, only a slight doubt with regard

to the importance of the stock of thalers still in circulation in the German Empire. The valuations differed but little from one another: they varied from 410 to 500 millions of marks, and the Conference could consider the mean figure of 450 to 460 millions of marks as approaching the truth very nearly [£22,050,000].

M. Cernuschi remarked that by completing at present the withdrawal of the thalers from circulation, whether to sell them or to transform them into marks, the German Government would tend to bring about the inevitable end of its monetary reform; for the creation of the mark has for its necessary consequence, in a future more or less distant, the disappearance of the thaler as German money.

M. Thielmann, first Delegate of Germany, replied that the German monetary reform did not seem to have been made with the idea of preserving indefinitely the present stock of thalers; but he added that it was impossible to foresee at what time these thalers would be demonetized or recoined.

Mr. Dana Horton (America) announced his intention of asking the delegates for information (1) on the movements of gold and on the quantity of gold, coined and uncoined, existing in the countries represented at the Conference, and (2) on the general average prices of the principal commodities in these same States for the last fifteen or twenty years.

Mr. Dana Horton asked for an explanation of a passage in the declaration read at the preceding sitting by Baron Thielmann in the name of the German Government. The passage was this:* "We acknowledge without reserve the rehabilitation of silver is desirable," &c. Now, among the most populous States "represented at this Conference" it were difficult not to include the country which has the largest population in the world, viz., England with its Indian Empire. It would therefore be interesting to know in what degree the attitude of England may have been the cause of the reserve shown by Germany in her proposals, and whether it might be hoped that, if England made some concessions, Germany would be disposed to enlarge hers also.

M. Thielmann, first delegate of Germany, replied that the attitude of England had had some effect on the resolutions of the German Government, for not only had Germany a very con-

* *See* Baron Thielmann's Address, p. 15.

siderable direct commerce with England, and highly developed financial relations, but she also paid by bills on London a great part of her Asiatic and Transatlantic commerce. It was therefore necessary for the German Government to preserve a monetary system similar to that of England.

The general discussion of the list of questions was then resumed.

M. Pierson, Delegate of Holland, said:—I have asked to be allowed to reply to the discourse of Dr. Broch, who showed the inconveniences of the bi-metallic system. I do not deny them entirely. The double standard system is not perfect; but it seems to me that a system is not condemned simply because it is shown to be imperfect. There is no monetary system which is not open to criticism. The question is, not to know whether these systems are perfect, but whether the inconveniences resulting from the one are greater than those resulting from the other. The comparative method must be applied to this matter. I wish to fill up the omission in Dr. Broch's discourse, and shall begin by explaining what are, in my opinion, the principal disadvantages of the present monetary state of the world. We shall see afterwards whether the inconveniences to which bi-metallism exposes us are as great as these.

Let us first take a country which has a lame standard. They are numerous. The lame standard exists wherever the standard of gold pieces is free; but where by the side of these pieces, pieces of silver having full legal-tender power circulate at a value much above their intrinsic value. The Latin Union, Germany, and Holland are in this condition. The result is, that the balances at the banks of issue in these countries are composed in a great measure of pieces of money which in other countries are worth much less than on this side of the frontier. In France a piece of silver of 5 francs is worth a quarter of a gold piece of 20 francs. In England this same piece has only a value in gold of about 4 francs 25 cents. Is this a state of things which can last? We have several Directors of Banks among us, and I appeal to their experience. The metallic balance of a bank must be entirely composed of coins which are of the value of their weight in silver or in gold. The specie which serves to guarantee issued notes must have no artificial value. But this artificial value, which silver pieces actually possess, in a country with a lame standard presents another danger. If ingots of

silver are bought and made into crowns, or thalers, or florins, coins not defective in weight or fineness, but entirely in agreement with the direction of the law, the profit would be 18 per cent. Deduct 1 to 3 per cent. for the cost of coinage, and there would still remain a good profit, while the operation would not be difficult. How is it then that subsidiary coins have never been imitated? The reply is easy: Subsidiary money can only be given in payment up to the amount fixed by law. The manufacturer of a large quantity would not know what to do with it. If he issued a large quantity, attention would soon be attracted to him, and the fraud would be discovered. But if 100,000 pieces of 2½ florins were presented at the Netherlands Bank to be exchanged for notes, there would be nothing in this which by itself would cause suprise. The counterfeiting of subsidiary money is also by no means unknown.

I consider this secret coinage of silver pieces as one of the great dangers of the monetary situation, in countries with the lame standard. If up to this time the evil has not yet shown itself, it is not due to our wisdom, and it will one day appear. Wherever coins, having full legal tender power, possess a value exceeding by much their intrinsic value, the danger which I have indicated exists.

The countries with a simple gold standard are thought to leave nothing to desire, and they are certainly much better off than the countries of which we have just spoken; yet, if it is thought that everything is for the best there, they are deceived. Mr. Freemantle told us the day before yesterday that the system of the United Kingdom, as established in 1816, had satisfied all the wants of the country, without causing those inconveniences which had shown themselves elsewhere, and under other rules. Let us admit that it is so, and that the British system has succeeded admirably. I ask you, Why has it succeeded so well? Is it on account of the virtues which belong to it? Not the least in the world. It has succeeded well, because it had by its side another system which served it as a support when its inherent defects were about to come to light. The simple gold standard has victoriously gone through an overpowering crisis, because it was not the only system in force. The bi-metallism of the Latin Union has preserved England from an extreme embarrassment, in which, without it, she would have found herself. The annual production of gold, which in the first half of our century had

not been more than 80 millions of francs [£3,200,000], increased suddenly to six or seven hundred millions of francs [£24,000,000], and an enormous depreciation of gold was about to be the consequence. Nevertheless this depreciation did not occur. The value of gold did fall, but not in anything like the degree which they feared at that time. This was because France, having the double standard, coined from 1848 to 1866, 5,700 millions in gold [£228,000,000], while exporting at the same time the silver which this coinage rendered superfluous. France thus served as a parachute to the depreciation of the metal whose production had increased in so enormous a proportion. I would ask the English delegates what would have been, according to them, the influence of the gold discoveries in Australia and America on the value of the pound sterling, if at that time the system of the double standard had not existed in France.

The principal inconvenience of the monetary situation in Great Britain, as it appears to me, shows itself when one considers the relations of this country with Asia. How is it, then, that in the journals appearing in London, and treating chiefly of financial questions, they persist in ignoring almost entirely the great disadvantages which result from the fall in the rate of exchange on British India, and above all—for this is the real point—the great variations which for the last few years have occurred in the rates? Is there anyone who, possessing the slightest knowledge of business, does not know that these disadvantages are very real and are strongly felt? Professor Jevons, one of the most distinguished English economists, has just published in the "Contemporary Review" an article on bi-metallism, in which the name of India does not even occur. One would say, in reading this article, which in other points is not uninteresting, that the phenomena of which I have just spoken are of no importance. There is here, without doubt, a tacit understanding to speak of everything except of the chief thing. The great evil is there in India, and it is an evil which injures all the world, for the commercial relations between the East and the West become day by day more intimate. It is true that there were formerly variations in the rate of exchange on India; but how insignificant these variations appear to us, when we compare them with those which have occurred in recent years. Ask the cotton merchants, and all those who

trade with Asia, whether they suffer from it. Ask the holders of public funds and obligations which are payable in rupees or in piastres, whether the fall in the price of silver has injured them.* They tell us that the British monetary system is perfect. It is good in itself, if its relations with the East are left out of consideration; but if the maintenance of this system results in upsetting these relations, or rather, in preventing them from being re-established on the same footing as in the past, can it be still said that it leaves nothing to desire, and that it answers all the requirements of England. The countries whose circulation is principally in paper ask nothing better than to break with this vexatious system, but hesitate to do so, while the value of silver remains uncertain. The inconveniences produced by the fall in and the variations in the value of silver are immense. We find ourselves opposed to an evil, which it is absolutely necessary to cure.

* M. Pierson might well add to his list all the English officials in India, who are universally paid in silver, from the Viceroy with £25,000 a-year to the lowest clerk on £50 a-year. It is urged that these do not lose because silver has not fallen in value *in* India itself; but the answer is obvious, an Indian official does not spend his income on things produced in India except to a small extent. His bread, his butter, his eggs, his fowls, and his rice, may not be affected by the fall in silver (though these too have all risen in price in the last 15 years), but all except the lowest officials necessarily spend but a small fraction of their total income on these necessaries of life. It may be safely said that all who receive more than £500 a-year do not spend more than one-fourth of their income on things which are produced in India and which are therefore unaffected by the fall in the value of silver. The remaining three-fourths is spent on the education and support of their families, on horses and carriages, on books, pictures, and articles of luxury, and part is no doubt saved; but on all this, including the savings, they lose one-sixth at present. To take an example, a judge or collector on Rs. 2,000 a-month should have £2,400 a-year in gold, but on three-fourths of his pay he loses one-sixth, so that his pay his really

$$\frac{1}{4} \times 2{,}400 + \left(\frac{3}{4} \times 2{,}400\right) \frac{5}{6} = 600 + 1{,}500 = 2{,}100,$$

that is to say, every Indian official absolutely loses at the very least one-eighth of the total income which he earns, and for this he receives no compensation in any shape whatever, as (1) the prices of articles produced in India, (2) the rent of houses, and (3) the wages of domestic servants have all increased of late years, although this increase may not be due to the fall in silver, but rather to an increased demand arising from the greater number of Englishmen who reside in India. The same thing is of course true of the French and Portuguese officials in their respective settlements in India; they are all paid in silver and all suffer in the same proportion. This, to some, means almost ruin, to all it means a lowering of the standard of living, a less thorough education for their children, and a smaller provision for them in case of the sudden death of the father. Too often it means the sickly father or mother compelled to stay in India when the doctors urge a temporary or permanent return to England, and its natural result—a breakdown in health followed too frequently by death or by permanent invaliding.—A. C. T.

To find the remedy, we have only to ask what are the causes which have produced the evil which we wish to remove. On this point we are perfectly informed. Silver has fallen in value, because throughout Europe its coinage has been stopped. I do not say that the increase in production and diminution in the demand for India have counted for nothing in the fall of silver. These causes have no doubt aggravated it; but I think I can prove that neither of these phenomena would have had an appreciable influence on the relative value of silver and gold, if the Latin Union, Germany and Holland, had maintained their monetary systems just as they were before 1871.

If this is true, and the works of M. Arendt have proved it in the most scientific way, it follows that the adoption of the bi-metallic system is the only means of escaping from the annoying situation in which we are placed. That at least is the conclusion we have arrived at in Holland. There is not a single one of our most distinguished economists, or of our most accomplished business men, who does not recognize the immense advantages which would result from the adoption by all the great States of the bi-metallic system. The more I reflect, the more it seems to me that the bi-metallic principle is entirely in harmony with the best-established doctrines of political economy. It is said that the law cannot fix the value between two commodities. That is true in general, because most commodities are in demand for reasons with which the law has absolutely nothing to do. We buy corn, sugar, cotton, because we have need of these articles, and we have need of them, not on account of a law, but for reasons independent of all law. It is not the same with money. A French journal says, "If there is one subject on which the law is without influence, which escapes from its action, and makes game of all its projects, it is this." This as the personal opinion of a journalist is of no importance, but let it not be stated as the last word of science, which tells us just the contrary. Ricardo has taken pains to show in many of his writings, the exact opposite of what has just been stated. If there is a matter on which the law has great influence, which does not escape in any way from its action, it is money. The most decisive argument in favour of my principles is the following little table of the coinage of gold and silver in France, from 1803 to 1873. These figures have a special eloquence—

Years.	Gold, Millions of Francs.	Silver, Millions of Francs.	Relative value.
1803—20	865	1091	1 : 15·58
1821—47	301	2778	1 : 15·80
1848—52	448	543	1 : 15·67
1853—56	1795	102	1 : 15·35
1857—66	3516	55	1 : 15·33
1867—73	878	587	1 : 15·62

From 1803 to 1820 the proportion between gold and silver is about 1 to 15½. The coinage of gold is also nearly equal to that of silver, 800 millions [£32,000,000] for one, 1,000 millions [£40,000,000] for the other. In the following period, 1821 to 1847 gold grew dearer, and the same time the coinage of gold diminished enormously, while that of silver increased. The proportion became one to nine. In the years 1848 to 1852 gold commenced to go down. It approached again the rate of 15½, and, as in the first period, the coinages of the two metals were nearly equal in these years, 400 millions of francs [£16,000,000] for gold, 500 millions [£20,000,000] for silver. Gold still went down. From 1853 to 1866 the average proportion was 15⅓. The coinage of gold then rose to 5,300 millions of francs [£212,000,000], while the coinage of silver fell to the insignificant figure of 157 millions [£6,280,000]. After 1866, from 1867 to 1873, gold rose in price; the average became 1 to 15·62, and the coinage of silver increased immediately, 300 millions of francs [£12,000,000] for gold, 500 millions of francs [£20,000,000] for silver.

How can they say after this that the bi-metallic system does not cause a great fixity in the relation of value between the two metals. The immense increase in the production of gold after 1848, merely resulted in its falling in relation to silver three or four per cent.* How much more would this insignificant fall have been reduced if the law of the double standard had existed not only in the Latin Union, but in England, Holland, and the United States. To calculate the quantity of gold with which Europe has been inundated since 1848, it is not sufficient to show the quantities produced, there must be added that which

* The maximum variation in value is ·47—viz., from 15·33 to 15·80. A variation of less than ·5 in 70 years ought surely to convince the most stubborn opponent of bi-metallism that silver can be rendered steady in price by the simple expedient of coining it freely at a fixed relative value with gold.—A. C. T.

America has sent us since she has established forced currency, If the law of the double standard has been powerful enough to resist so many causes of economic trouble, when it only acted on a limited territory, how much more efficacious would it have been had it existed equally elsewhere.

Inconveniences exist in the bi-metallic system, but there exists also a remedy which I consider very effectual. It is the obligation imposed on the great banks of buying at fixed prices all the ingots of gold and silver which may be presented to them. M. Broch says that this system is impracticable in small countries. I deny it. From 1853 to 1872 the Bank of Holland has always bought at the fixed price of 104 florins 65 per kilogram, all the ingots of silver which were presented to it, whatever was their quantity, and since 1875 it has adopted the same rule for gold, which it buys now at the price of 1,647 florins. Our bank has never found the least inconvenience in this system, because it pays in notes for the metal which is sold to it, and if bi-metallism were generally adopted, it would willingly apply it to the two metals without any distinction. It would be an excellent means of reducing to a minimum the variations in the relative value of gold and silver.

The law of the double standard will have some difficulties to conquer in order to succeed well, but these difficulties will be surmounted by the help of the privileged banks, which in this way can render very great services. Like any other economic reform, the law of the double standard cannot be established by a simple decree; it must be thoroughly prepared. Those who will not agree to help us to attain the end at which we aim, should tell us in what way they reckon on curing the evils from which the world suffers. A remedy must be found. The present situation is simply insupportable. If you reject the bi-metallic remedy, have the goodness to point out another. The fall in price of silver, and its variations in price in regard to gold, have produced a state of things which is full of inconvenience in the present, and of danger in the future.

M. Pirmez, Delegate of Belgium, said: The States of the civilized world can, from a monetary point of view, be divided into three groups*—the gold monometallists, the States placed under the rule of paper money, and, lastly, those which have been called the States with the lame standard; that is, those

* *See* M. Pierson's address, p. 60.—A. C. T.

that have almost in law as well as in fact the standard of gold, but mixed with a trace of bi-metallism.

The first seem completely satisfied with their situation. In vain the bi-metallists seek to alarm them, and to point out to them the evils from which they ought to be suffering, the perils which threaten them. They continue to declare that they feel neither uneasiness nor disquietude. If Portugal and the Scandinavian States take part in the present Conference, it is not, as they have said, with the intention of modifying their monetary law; it is simply out of deference. England is more absolute still: she does not admit even the supposition that she could be brought to renounce the single gold standard, and is only represented here under this formal reserve.

The bi-metallists pretend that Great Britain ought to find in the monetary situation of India, and in the depreciation of the rupee, a powerful motive for changing her attitude. It is certain that on the payment of the tributes which the Indian Government receives from the native princes,* and which are fixed in rupees at a settled amount, England undergoes a certain loss, because she receives an invariable sum, of which the real value has diminished on account of the fall in the rate of silver; but this is only relatively a secondary matter, in the total of its financial relations with India. The great interest for England, from the point of view of its relations with India, is the commercial interest. Now, in this respect it is not correct to say, as has been pretended, that Great Britain has suffered from the depreciation of silver. Without doubt, the exchange of London on Calcutta and Bombay has fallen considerably, but in the end English commerce does not suffer from it, for

* M. Pirmez apparently confounds the land revenue of India with what he calls "the tribute of the native princes." The tributes paid by native princes are quite inconsiderable and are generally only nominal in amount, and are imposed by treaty merely as a proof of subordination to the British Government. The total sum paid as tribute to the Government of India is under half a million sterling a-year.

In August, 1880 (the latest date for which I have detailed information at hand), the total land revenue was £21,860,800, while the total revenue from tributes was only £475,000 out of a total revenue from all sources of £51,828,700, taking the rupee at *2s.* If it be taken at *1s. 8d.* the revenue from tribute would be £395,834, so that the loss from the tributes of native princes, of which M. Pirmez thinks so much, is only £79,166 a-year. The loss on the land revenue would, of course, be a very serious one, if it had to be remitted to England; it would amount to £3,643,466 a-year, but this land revenue is of course collected from the actual land-holder in British territory and not from the "native princes" in independent territory; it is not tribute, but a land-tax. I have since obtained later figures and find that

it is sufficient, as always occurs in a similar case, to compensate the fall in exchange by a corresponding rise in the selling price. It is therefore perfectly explained why, in spite of the extent of its relations with India, the British Government remains insensible to the adjurations of the bi-metallists.*

the estimated Land Revenue for 1881-82 was £21,788,000, while the Tribute was £705,000. [*See* Parliamentary Papers, Statement of Indian Revenue, &c., 31st May, 1881.]

It may be useful to give here the amounts of the principal items of revenue and expenditure in India in 1879 (1 rupee = 2*s.*)

	Revenue in £
Land	22,330,586
Opium	9,399,401
Salt	6,941,120
Stamps	3,110,540
Excise	2,619,349
Customs	2,326,561
Total Revenue	£65,199,602

of which, £64,958,517 was received in India, and £241,085 in England.

Expenditure in £ (excluding outlay of capital on productive public works).	
Army	17,092,488
Ordinary public works	5,176,012
Productive ditto	8,174,923
Interest on debt, &c.	4,954,021
Law and Justice	3,437,790
Loss by exchange on transactions with London	3,359,144
Total expenditure	£63,165,356

of which, £49,314,060 was spent in India, and £13,851,296 in England. The outlay of capital on productive public works was £4,381,898.

Of the £13,851,296 spent in England,
1,090,289 was spent on stores,
2,593,112 ,, interest on debt,
4,739,259 ,, guaranteed interest to Railway and Irrigation Companies.

(*See* my Note on p. 24.)

The amount of bills drawn on India by the Secretary of State was 169,123,612 rupees, and for these £13,948,565 was obtained, the average rate being 1*s.* 7·794*d.*, the loss by exchange (compared to the 2*s.* rate) was £2,963,796, or in round numbers three millions sterling for the year.

The total debt and obligations of India amounted to £150,995,962; the debt being £137,868,043 and the obligations £13,127,919.

I think M. Pirmez or anyone else can easily ascertain from these figures what the exact loss to the Government of India by the fall in the value of silver is, on both the revenue and the expenditure side of the account, though it will of course vary considerably according to the views taken by different persons.—A. C. T.

* How is it, then, that the London, Liverpool, and Manchester merchants think so differently, and that they petition Government to take steps to raise the price of silver? Does M. Pirmez think that the "corresponding rise in selling prices" can be effected at will and in a moment. Is it not because the value of silver has decreased, and it is *impossible* to make "corresponding rise in selling price," that all the merchants trading with India are now suffering, and that whole branches of trade are either annihilated, or are, if continued at all, conducted without any profit.

Hear what Mr. Cazalet says in his "Bi-metallism and its connection with Commerce" (p. 29.) "India is suffering from the depreciation of her silver currency. The evils which a depreciated currency brings about are well understood. Among them will be found a fall in the exchanges and a consequent displacement of capital from undertakings intended to supply home

Germany has not really a different attitude from that of England. The German Empire has effected a great monetary reform; it has accomplished it at the proper moment, and it does not dream of renouncing it.

It is evident that for the Powers placed under the rule of paper money, the financial question is of greater importance than the monetary question. It is equally certain that if they only consider the financial point of view, they might find advantage in adopting the silver standard, because it would furnish them with a very legitimate means of acquitting themselves of their debts, at the least possible expense. They hesitate, however, to do this, because they are aware of the discredit which weighs on silver. They understand thoroughly that there is now a tendency to consider only those States which have a gold standard, as being financially of the first class. The example and support of a great financial power like France can alone decide them to adopt a silver standard.

The third monetary group is formed of States which have almost the gold standard in law as in fact, but with a trace of bi-metallism still left. It includes the States of the Latin Union (except Italy and Greece, which still have paper money), Holland in a certain measure, and Spain. The situation of these States is without doubt unsatisfactory, but the cause of the malady from which they suffer is the excess of silver, which is the consequence, and as it were the legacy, of the bi-metallism which has been abandoned.

The malady, however, must not be exaggerated. The considerable stock of five-franc pieces which the Bank of France keeps in its vaults is not a mere burden. It serves as a pledge and guarantee for the notes in circulation, and the figure is not excessive for the proportion of coin which the Bank of France

wants to those which supply the wants of foreign countries; an unnatural inflation of exports and an equally prejudicial stoppage of imports; a universal and unjust modification in the relative position of debtor and creditor to the detriment of the creditor. From these misfortunes India is now suffering from causes beyond her control. But the reverse of the medal is equally true. A sudden appreciation of a currency produces as infallibly equally injurious results. In this case the imports of a country are fostered unnaturally and the exports arrested, involving the stoppage, and, in many cases, the ruin of manufactories based on an export trade. The positions of debtor and creditor are unjustly modified, but in this instance to the detriment of the debtor. In both cases the capital and labour question comes to the front, assuming its most disagreeable aspect. In the former case there is involved the necessity of a rise in wages, in the latter of reduction."—A. C. T.

possesses is not sensibly higher than that of the other great State banks, for instance the Bank of England. It is true that fear was lately felt on account of the issue of a certain sum of gold from the Bank of France, but it must not be believed that this sum in gold was entirely exported from France, and that it crossed the Atlantic to pay the excess of the American importations. There have certainly been exportations of gold, but there have also been importations much more difficult to prove, and the monetary circulation in France remains saturated with it. The payments made for the last French loan of a milliard [£40,000,000] furnish a decisive proof of this. It is therefore right to conclude that gold occupies in the monetary circulation of France a part infinitely superior to that of silver, and that it is altogether the dominant element in the circulation. If we now find in the Bank of France a considerable sum in silver, it is only because it has been withdrawn from the circulation of the country by the public itself. Every one has discharged silver money into this great reservoir, in order to take out of it instead, gold, which is preferred by all.

Looked at from this point of view, the situation of the countries with a lame standard has nothing alarming in it; but it can and should be improved, especially if Italy resume before long specie payments. The Kingdom of Italy entered the Latin Union under exceptional circumstances; between the signature and the ratification of the Convention of 1865, Italy adopted paper money, so that it has always been under conditions which were not foreseen at the conclusion of the treaty. The forced currency notes in Italy have sometimes been at a discount of 10 and 12 per cent., and this has naturally resulted in causing nearly all the coin in Italy to pass into the other countries of the Latin Union. This has continued, and when, two years ago, the Italian subsidiary money was withdrawn, it was proved that a great part of it was out of Italy. The Italian five-franc pieces are in the same position, and it may be hoped that when Italy resumes specie payments, she will take back a considerable quantity of these pieces, which will set free by so much the circulation of the other States of the Latin Union. The countries with a lame standard are, as M. Pierson* has shown, exposed to the danger of false coinage, or rather to the secret manufacture of false pieces of a true standard and weight,

* *See* p. 61.—A. C. T.

but with a profit of 15 or 20 per cent., resulting simply from the divergence between the selling and the official values of the metal.

I have proved that our situation has nothing alarming in it. I must now show that the measure proposed by the bi-metallists would have the effect, not of ameliorating it, but of aggravating the vices and the dangers to which it is liable.

To resume the free mintage of silver without the concurrence of the States which now have a single gold standard would be to court disaster, and no one dares to propose it. But even if they succeeded in causing bi-metallism to be adopted by England, Germany, India, and even China, they would only end in establishing an equal circulation of gold and of silver, and in loading equally the two scales of the balance in all countries of the globe. Now, as the States with the silver standard are more populous and possess more coin than both the States with a gold standard and the States which are now bi-metallic, it follows that the only result of the universal establishment of bi-metallism would be to cause a great part of the silver with which Asia is saturated to be poured out on Europe, and to attract in return towards Asia a considerable part of the European gold.* Even the Bank of France has tried to make the five-franc pieces accepted, but she has failed; and this inconvenient coin is constantly brought back to it. In the United States they have tried to put into circulation the new dollars struck under the Bland Bill; they have tried by every means to make them accepted by the public. They have failed, and only a portion is in circulation as subsidiary money.†

* Why? Surely this is the most baseless assumption. Why should the silver-holding people send their silver to Europe to be exchanged for gold merely because they are more numerous than the gold-holding nations? Who would pay the freight? The precious metals are not transferred about the world vaguely and without commercial reasons. On what ground should we expect that silver will come *from* the East *to* Europe (merely because we open our mints to the free coinage of silver), when we know that there has always been a steady flow of silver *from* Europe *to* the East? What strikes one in reading the mono-metallistic arguments is that they are full of pure assumptions for which no reasons are assigned, and yet we are expected to accept them as propositions which have been proved. In this case we *know* that silver flows from West to East and has done so for many centuries, yet M. Pirmez expects us to believe that it will flow from East to West the moment we re-commence to coin silver freely, although it is admitted that it did not do so during the seventy years when France coined silver just as freely as it is proposed that we should now do.—A. C. T.

† This hardly agrees with recent facts. The "Bullionist" of August 6th, 1881, says: "The demand [for silver dollars] is increasing, and it is

The bi-metallists flatter themselves that they will guard, by the application of their system, against the two great dangers which they think imminent; that is, against the play of the commercial balance in a sense unfavourable to Europe, and against the rise in gold. The commercial balance is, in fact, a delusion, for from statistics it would always appear that each State imported more than it exported, for it exports commodities the value of which is calculated at the *place of export*, while it imports commodities the value of which is calculated at the *place of consumption*—that is to say, after the addition of the cost of transport and of commercial profits.* If the commercial balance were a reality, and the differences which it shows had to be paid in coin, it is clear that all the specie of France and England would have been already drained by America, and there would be no more gold in Europe. It is not so, because the differences are paid with commercial values, with transferable bonds, and by arbitrations of exchange between different States.

expected that when the crops begin to move, there will be a larger demand than ever before. Last year the New Orleans' Mint distributed over 6,000,000 silver dollars, and it is confidently believed that during the current fiscal year the distribution will reach 8,000,000 or 9,000,000."—A. C. T.

* This does not make the theory of the commercial balance a delusion. If the State exported a great deal more than it imported, the mere cost of freight and profit would not make its imports seem equal to or more than its exports. Besides it is always easy to calculate the proportion of the value of any import which is due to freight and profit, and deducting this, to ascertain whether the net value of the imports is greater than that of the exports. Thus, if India sends England £100,000 worth of cotton valued at Liverpool, and England sends India £50,000 worth of iron; and if we suppose the freight on the cotton is 5 per cent. and the profit 10 per cent., we deduct 15 per cent. from the £100,000 and find that the net value of the cotton is £85,000, and that there is a true commercial balance of £35,000 in favor of India, instead of a balance of £50,000 as the gross figures would show.

M. Pirmez goes on to say: "If the commercial balance were a reality, and if the differences which it shows had to be paid in coin; it is clear, &c." Now one of these hypotheses is true, viz., the former; but the latter is incorrect, as he himself shows, for *only that part of the commercial balance is paid in coin which cannot be paid in any other way*, viz., by any of the devices which the science of account-keeping has invented. The *real* commercial balance is only that sum which still remains due to a nation *after* all the transfers of bonds, &c., which he mentions have been made. These bonds merely represent the value of commodities, and we therefore come at last to the evident truism that the balance which cannot be paid in commodities must be paid in coin; but this does not render the theory of a commercial balance "a delusion," as M. Pirmez says it does.—A. C. T.

The day after I had written the above note there appeared in the City article of the "Times," August 3rd, 1881, the following remarks on American prosperity which are so pertinent to the question that I quote them here in their entirety:—"The admiration which is often expressed for

The Bank of England has also just lowered its rate of discount, which shows plainly enough that it is not afraid that its reserves will cross the Atlantic. Gold is not hoarded in America; it would soon get lower in price, while in Europe there would be a corresponding rise. The inevitable consequence of this rise would be to cause the gold which was in excess to return from the United States.

Even if the play of the commercial balance should condemn Europe to a prolonged famine of gold, bi-metallism would not cure it by an unlimited coinage of silver. If it is expected that

American trade on the ground of the excess of the exports of merchandize over the imports will probably be renewed in reference to the figures for the trade of the year ending June 30, 1881, which have now been published. According to the statement in the telegram of our American correspondent published yesterday, these figures are:—Imports, £128,478,000; exports, £180,464,000; excess of imports, £51,986,000. This is exactly the condition of trade which people in this country who groan over an excess of imports point to by way of contrast. Yet it is quite plain that the excess of exports in the case of the United States is to be fully accounted for in a way which implies nothing specially prosperous in the economic condition of that country, but the reverse. The United States must export more than it imports in order to meet various obligations incurred by the community. A very large sum, for instance, has to be exported in order to pay for the freights on the exports, which are sent abroad to pay for the imports. The imports being £128,000,000, the people of the United States have to deliver an equal value, not at the ports in the United States where the imports are received, but at the different foreign ports to which the exports are sent in payment. Supposing the imports were all obtained from London, the United States would have to send away not merely value for £128,000,000, but value in addition for the cost of carrying the £128,000,000 worth to London. If the United States did its own carrying trade as England does, no such rectification would be necessary, but it has to pay foreign shipowners to carry its goods, and hence to pay for £128,000,000 of imports, its exports ought to be a good deal more. What precise addition should be made for freight it would be difficult to tell, but looking at the bulky character of American exports, and the average freight and charges on wheat and other articles to the United Kingdom, to which most of the exports are sent, we should think an addition of 10 per cent. a very moderate one. In other words, to pay for £128,000,000 of imports, the United States, not being a carrying nation, has to send abroad £13,000,000 additional, or £141,000,000. This would reduce the apparent excess of exports to be accounted for from £52,000,000 to £39,000,000, and this latter sum would plainly be most insufficient to pay for the indebtedness of the United States abroad. European investments in the United States amount to many hundred millions, the interest of which cannot be less than £30,000,000 per annum, and large remittances have also to be made annually on account of Americans travelling in Europe. the amount of these remittances in years like the present, when America is prosperous, being probably not far short of £10,000,000 to £15,000,000, if not more. In these two ways the net excess of exports appears to be easily accounted for, and as America in the year in question imported nearly £20,000,000 of specie, the fact would seem to be that in such a year, notwithstanding the large apparent excess of exports, the Americans, as we know was in fact the case, were largely increasing their permanent indebtedness to Europe. Thus the excess of exports is no circumstance for special satisfaction."

silver will be sent to the United States to pay for American merchandize, it is an illusion. The United States, which produce silver largely, and which reject from circulation the silver coined in their own mints, will not receive European silver. They will export more and more silver to Europe. This is their secret hope, which has been the chief reason of their adherence to the principle of bi-metallism.* The French and American Governments each have a secret thought, which they do not communicate to one another; each thinks, "I will send my silver to my ally." But which of the two deceives itself? It is not probable that it is America, for a stream runs from its source, and does not return to it.†

Far from causing a durable rise in the price of silver, bi-metallism would complete the debasement of this metal. At first, doubtless, gold would fall, silver would rise; but the production of silver, over-excited by the fictitious rise in the price of the metal, would soon be abnormally developed. Gold mines would reduce their production, silver mines would throw more and more silver on the market, and this silver would soon suffer a new depreciation on account of its excessive abundance. There is no real scarcity of gold either in commerce or in the banks or in circulation.‡ What proves it is that in spite of the improvements of industry the cost of living has everywhere increased. One cannot anywhere now procure with the same sum of gold that which one could procure twenty years ago. If there is a danger it is rather from the fall of gold and the general increase in prices of all the necessaries of life.

Any system which consists in attempting to establish a fixed relation between gold and silver is a system formally opposed to economic laws. By proposing it its supporters adopt the principle of regulation. They start from the erroneous idea that it is the duty of laws to regulate the internal or external commercial relations of a State. This procedure has been already too much abused by the laws of the *maximum*, by the regulation of production, and by the laws of protection through

* Messrs. Dana Horton and Thurmann specifically deny this. *See* their speeches, Fifth and Eighth Sittings.—A. C. T.

† Is this imputation of base motives worthy of M. Pirmez? Of course America wants to sell its silver like any other commodity, but it does not want to deceive France into taking it. A case must be bad indeed which needs to be supported by such assertions.—A. C. T.

‡ That there *is* a scarcity is shown by M. Luzzatti (p. 87.) The Italian loan and a very small demand for America (£400,000) have in the last few days (20th August) made the scarcity sensibly felt.—A. C. T.

the customs. All these laws are impregnated with the false idea which belongs to the legislator, that it is not only within his right and his duty, but also within his power to struggle against economic facts and to lower or to raise values. This idea is at the bottom of the present proposals of the bi-metallists. M. Cernuschi says, "Money is constituted by the law. The law of gold mono-metallism is as arbitrary as that of silver mono-metallism or of bi-metallism. In principle all proportions are equally good, and would all act as efficaciously and as regularly whichever was adopted by great States, having an abundant provision of metallic money."

This doctrine must be strongly opposed. The law is not made to impose the arbitrary will of the legislator on the people, but to answer to the needs of society, and to satisfy them. One cannot regulate what springs from the human conscience, nor what depends on taste, or desire, or individual appreciation, and value is in this position. Value cannot be created by law, and credit cannot be given to a value which does not spring from real facts, or which is contrary to them. This would soon be discovered if the principle of bi-metallism at 15½ became the law. It is pretended that it could be enforced now when the commercial relation of silver to gold is 1 to 18. They think that they could decree a false relation, which commerce has declared to be so. Gold would continue to circulate, but at a premium, as it circulates in Austria, in Italy, and in all the countries placed under the rule of paper money, for the public would not resign itself to do without gold, the holders of gold would not resign themselves to give it away at less than its value.

Even if this Conference had been invested with full power to act in the name of the nations which are here represented; even if all the other nations which are not here had been summoned; even if the absolute right of punishing most severely those who should violate the bi-metallic law had been given to it—the Conference, if it attempted to decree the respective value of gold, and of silver, would be none the less absolutely powerless, for arbitrary will has not the strength to contend against the nature of things.*

* For an answer to this statement *see* M. Pierson's remarks p. 64. [81 in original] and the following authorities:

1. *M. Emile de Laveleye*, "*Le Bi-métallisme International*," 1881, p. 8: "According to Aristotle, money is a public institution. It obtains its value,

M. Seismit Doda (Italy) wished merely to explain some of the statements that M. Pirmez had made with regard to the nature of the motives which have determined Italy to take part in this Conference, and to support the principle of bi-metallism in it. In speaking of paper-money countries, M. Pirmez had said that it was natural they should be bi-metallists, because it was a financial question for them, and that they could manage to pay their debts better with depreciated silver than with gold. M. Seismit Doda declared that it was from no such consideration that Italy had obeyed the summons to the Conference; she simply wished to bring her contingent of experience to the examination of a question which interests the finances of Europe and of the whole world, not only now, but in the future. M. Pirmez had mentioned the invasion of Italian subsidiary money

not from nature, but from the law. It is the use which is made of the precious metals (which are of little use by themselves) which gives them their value. What proves it is that if a convention or the law takes from them this use, their value almost entirely disappears. We find here (as shown by Aristotle) the cause of the monetary disorder from which civilized nations are now suffering. Germany has demonetized silver. The other States have been obliged to exclude from their mints the metal which, having become once more a simple commodity, has lost a part of the value which its employment as money gave it."

2. *Samuel Smith (President, Liverpool Chamber of Commerce)* "*Bi-metallic Money,*" *p.* 10. *2nd Ed.* 1881: "Anyone who carefully examines the respective production of gold and silver during this century, and the great changes which have at various times occurred in the cost of producing one metal as compared with the other, will perceive that this wonderful fixity of relative value must have arisen from some all-powerful cause quite apart from what is vulgarly called 'supply and demand'; he will see that the ratio of 15½ existed during a long period when silver was annually produced to three or four times the value of gold, and during another long period when gold was annually produced to three or four times the value of silver. . . . . It may be asserted in brief, that every possible convulsion occurred in the monetary world during the first three-quarters of this century, and yet the tie between silver and gold was not broken. . . . . . If France and the Latin Union had refused to coin gold after 1850, we should have seen the same phenomenon on a greater scale than we have witnessed of late years, only gold would have been the depreciated metal and silver the enhanced one, and we should have been listening to the same arguments we are familiar with now, viz. that gold was falling and that silver was rising in obedience to great natural laws; that it was vain to complain of those laws which were inexorable, and that no human legislation can withstand them."

3. "*Monetary Relief through the Paris Conference,*" *by Nemo*, 1881, p. 9: "It is now generally admitted that if the ratio between silver and gold could be fixed and maintained, the demand for silver would at once revert to its old limits, and might even be eventually somewhat increased. The possibility of fixing and maintaining a ratio has been doubted, but such doubts appear contrary to the common law that those who hold in their hands either the whole demand or the whole supply of any article can fix its price and rule the market. Governments are in this position with regard to silver and gold, the demand for which for any other purpose than money is insignificant; and they already exercise in two instances, those of token coins and

in Belgium and in France at the time when a forced currency (of paper) was enacted in Italy; but the Italian Government had honestly itself asked for the withdrawal of its subsidiary money, and France and Belgium had therefore suffered no injury on this account. It should also be remembered that if the Italian forced paper currency had occasionally caused some inconvenience to its neighbours, they had at other times derived advantage from it. It was thus when the establishment of forced paper currency took place in France; for the Italian subsidiary money contributed notably to spare France the circulation of small notes, and thus to lessen the loss resulting from the difference between the value of the paper and that of the silver.

The discussion was postponed to Tuesday, the 10th May, at 1.30 p.m.

The sitting ceased at 5.30 p.m.

paper money, the very power to fix the price of one commodity in relation to those of others which is denounced in some quarters as a violation of the principles of free trade and political economy, and as impossible of exercise. This being so, what greater difficulty can their be in performing the same office for silver? Tokens and notes are as much a forced currency as silver could be, more so by far when the silver is legalized at its nearest ascertainable true ratio to gold while the notes are irredeemable."

4. *Mr. E. Cazalet*, "*Bi-Metallism and its connection with Commerce*," 1879, *p.* 22: "It remains for me to show how far such a fixed ratio of value is practicable. Unquestionably if the bulk of the trade in gold and silver were in the hands of manufacturers it would be very difficult, if not impossible, for the Governments of Europe combined, to regulate the price of these metals. But is this so? The total consumption of gold and silver for manufacturing and all other purposes exclusive of currency is estimated at 5 per cent. of the total annual production. It certainly does not exceed 10 per cent., and the whole of the remainder from 90 to 95 per cent. is purchased by the different Governments of the world for currency purposes. Consequently it is the currency which supplies with a comparatively trifling exception the only market for the precious metals; and as long as an unlimited demand can be retained for both articles, the Governments of Europe have it in their power to fix and maintain their relative value. Such an unlimited market has been supplied by France and the Latin Union for three-quarters of a century, with the result of maintaining the fixed ratio between gold and silver at 1 : 15½."

I quote all these authorities here at some length because this is really the crux of bi-metallism. Of course if it is impossible to maintain a fixed ratio between silver and gold, then bi-metallism is a chimæra; but I think any unprejudiced judge will say that the weight of argument is all on the side of its possibility, and not with M. Pirmez, who declares it to be impossible, but hardly attempts to prove it so.—A. C. T.

APPENDIX TO THIRD SITTING.

NOTE ON THE MONETARY SYSTEM OF PORTUGAL, ON THE COINAGE, AND ON THE MONETARY SITUATION OF THE PORTUGUESE COLONIES. By the COUNT DE SAN MIGUEL.

The monetary system actually in vogue in Portugal was established by the law of the 29th July, 1854.

Gold is the single metallic standard.

The metal coined is of a standard of $916\frac{2}{3}/1000$ fine; that is to say, 11/12 of pure gold and 1/12 of alloy.

The pieces of gold are:—

	Value.	Weight in grammes.
Crown	10,000 reis . . .	17,735
Half-crown . . .	5,000 ,, . . .	8,868
Fifth of a crown .	2,000 ,, . . .	3,547
Tenth of a crown .	1,000 ,, . . .	1,774

The ancient Portuguese gold coins, called peças and half peças, of the standard of $916\frac{2}{3}/1000$ fine, the same as the English coins of the same metal and of the same standard, called sovereigns and half-sovereigns, are considered legal tender under the following conditions:—

The peça	should be of the weight of		14,188	grammes.
The half-peça	,,	,,	7,094	,,
The sovereigns	,,	,,	7,981	,,
The half-sovereigns	,,	,,	3,990	,,

And are received—

The peça	at the value of	8,000	reis.
The half-peça	,,	4,000	,,
The sovereign	,,	4,500	,,
The half-sovereign	,,	2,250	,,

The State recognises as legal in all money an allowance of 2 per 1,000 in the weight and 2 per 1,000 in the standard.

Individuals, banks, and all other associations can have any quantity of gold of the standard of 916⅔/1000 fine coined at the mint, in crowns, half-crowns, fifths and tenths of crowns, by paying 1000 reis per kilogram, but it has often occurred that money has been coined gratuitously through the order of the Cortes.

Table No. 1 shows the amount of gold money struck at the Lisbon mint (the only one in the country) in the period between 1854 and 1880.

Silver and copper are used as subsidiary money.

125 grammes of silver alloy of the standard of 916⅔/1000 fine are divided into coins in the following manner :—

	Value.	Weight in grammes.
In 10 pieces called five tostoes . . .	500 reis . .	12·5
In 20 pieces called two tostoes . . .	200 ,, . .	5
In 50 pieces called tostoes	100 ,, . .	2·5
In 100 pieces called half-tostoes . .	50 ,, . .	1·25

The allowance is 3 per 1,000 in weight and 2 per 1,000 in standard.

In any payment, whatever may be its importance and the origin of the obligation from which it springs, the creditor is not obliged to receive more than 5,000 reis in silver money. There has however long existed in the commerce of Lisbon a custom, sanctioned by no law, but generally recognized, to accept a third of the payment in silver coin.

The State reserves to itself the privilege of making and issuing subsidiary money of silver and copper. No issue of this money can however be made without its amount being fixed by the Cortes.

Table No. 2 shows the amount of silver money struck from 1854 to 1880.

The law of 1854 declared that the old gold crowns struck by virtue of the law of 15th February, 1851, the silver coins called crowns and their divisions, created by the law of the 24th April, 1835, the coins called "crusados novos" and their divisions, the old coins of 100 reis, and all foreign coins of authorized circulation, should lose their legal currency and should be exchanged for legal money at their nominal value and within a time fixed by the same law if they were not clipped. The time was increased by later laws on account of the impossibility of effecting the exchange in the time first fixed.

Foreign coins have entirely disappeared from the circulation, old silver coins are very rare, and in the period between the 30th September, 1879, and the 30th September, 1880, none of these old silver coins were re-presented at the Mint for exchange.

Table No. 3 shows the silver coins withdrawn from circulation up to 1854.

Table No. 4 shows the importation and exportation of gold and silver coins during the years 1854 to 1856, in 1865, and from 1861 to 1880. Before 1865 official publications relating to international commerce were made irregularly, and statistics are missing for the years between 1857 and 1860, and from 1862 to 1864.

Various circumstances of political and financial origin caused the striking in Portugal, during the first quarter of the century, and also during a part of the second, of a considerable quantity of bronze and of copper money; the first with an intrinsic value of about 50 per cent., and in the second in a proportion which scarcely reached 30 per cent.

The manufacture of bronze money, which began in 1811, ceased in 1835, in accordance with the terms of the law of the 24th April of the same year on monetary reform.

The legislation of 1854 only concerned itself with the question of copper, in order to authorize the continued issue of notes representing that money.

Different laws since 1854 have authorized the issue of copper money.

Table No. 5 shows the kinds and the quantity of copper coined from 1865 to 1880.

The only decree which relates to payment in copper money was dated the 17th February, 1779, and fixed the sum of 100 reis as the maximum of the amount payable in this coin; however, there has always existed in the commerce of Lisbon, as with silver, a custom, sanctioned by no law, of receiving a third of the total amount in copper money.

PAPER MONEY.

The only paper representative of coin is the bank note. There are two classes of bank notes—one which is only current in the administrative district of Lisbon, and the other beyond that circle.

The Bank of Portugal has the monopoly of the issue of notes of the first class.

This establishment has a capital of eight milliards of reis, [£1,778,888], and the right belongs to it of issuing its notes through the whole country, with this advantage, that they are received by the Financial Minister as and the equivalent of, metallic money. Notwithstanding, the creditors of the State are not compelled to receive these notes in payment of their debt. Beyond the district of Lisbon there exist certain liberties for the issue of notes, which are regulated by special legislation. Each bank, either at Parto or in the provinces, organized conformably to the general principles of the law of the 22nd June, 1867, concerning the formation and existence of anonymous societies, is authorized to include among its operations the issue of bank notes. The notes issued by these bodies do not always have the privilege of being received as the equivalent of metallic money by the public receivers.

The establishments which issue bank notes in the kingdom are nine in number—one at Lisbon, five at Parto, and three in the provinces. Different causes up to the present time have hindered the paper currency from being of an equal importance to that of other countries.

In accordance with the law of 1854, bank notes can only represent gold coin, and must be paid in that metal.

FOURTH SITTING.

TUESDAY, 10th MAY, 1881.

THERE were present the delegates who were at the previous sitting, and in addition for British India, Sir Louis Mallet, Under Secretary of State. The sitting began at 2 p.m.

Chevalier di Niebauer requested an explanation with regard to the sense of one of the paragraphs of the Note filed at the last sitting by M. Cernuschi, which requested from the different Governments represented at the Conference, the communication of detailed information on the coinage of silver from the 1st January, 1874. In the last line but one of this Note, M. Cernuschi requested that the Austrian Government would make known at what time it ceased to strike double thalers. By this expression double thalers, did M. Cernuschi mean the thalers known under the name of "Thaler de l'Union" or "Vereins Thaler?" M. Cernuschi replied that he did.

M. Vrolik (Holland) placed on the table of the Conference, with reference to M. Cernuschi's request, two tables showing—

(1) The value of gold, silver, copper, and bronze coins, struck from 1840 to 1880 at the Utrecht Mint, and intended to circulate in Holland and its colonies.

(2) The value of these same coins, which were exported to the Netherlands colonies or to foreign countries, and of those which were re-exported to Holland (*vide* Appendices 1 and 2 to this Sitting).

M. Lardy (Switzerland) said that it was only owing to the sad death of M. Feer Herzog, who had represented his country at all the Monetary Conferences, that it became necessary for him to address the meeting. He wished to call attention to two questions which were not in the list adopted by the Conference:—

(1) The employment in industry of the precious metals.

(2) The repression of false coinage.

The quantity of the precious metals used in industry is very imperfectly known. M. Soetbeer is preparing statistics of it, but they are not yet published. The amount is much more considerable than is generally supposed. M. Soetbeer and Mr. Horace Burchard, Mint Master of Washington, estimate that since 1849, £760,000,000 in gold have been extracted from the mines. If we add to that the £320,000,000, which represents the accumulated stock before 1848, we find that the total sum of gold existing in the world ought to be £1,080,000,000 sterling. Now, according to the United States' consuls and M. Soetbeer, there were only 640 or £680,000,000 of gold in circulation or deposited in the banks. What, therefore, has become of the difference of £400,000,000 for thirty-one years, or about £12,000,000 per annum? After allowing for hoarding, for loss, for wear and tear, there is still a considerable mass of the precious metals which must be annually used in industry. Thus, the clockmaker's industry, which is valued at £3,600,000 in Switzerland, and £5,200,000 in the entire world, employs gold to the amount of about £1,200,000 each year. The manufacture of gold ornaments at Nüremberg absorbs a considerable amount of gold. If the industrial employment of gold is great, the principle that law alone creates the value of the metals used as money is evidently impugned; and, on the other side, it is necessary to proceed with the greatest prudence in passing from the double standard to the gold standard. With regard to the coining of false money in England, Mr. Goschen proposed to punish on his return to England an Englishman who had coined false money abroad; but the British Government merely offered to send back the accused in such cases to the government of the country in whose territory the crime had been committed. In Spain the real coins are so worn, and false coinage is so extensive, that it is difficult to distinguish the good from the bad. He would, therefore, request the Conference to pay special attention to these two questions:—

(1) What is the importance of the industrial employment of the precious metals, and especially of gold?

(2) Is it possible to better ensure the repression of false coinage?

It was decided to print and distribute these questions to the delegates.

The general discussion on the list of questions adopted by the Conference was then resumed.

M. Luzzatti (Italy) said that he did not intend to reply fully to M. Pirmez, but M. Pirmez said that the gold mono-metallist States were absolutely satisfied with the present state of things; that the silver mono-metallist States, like India, had to contend against serious difficulties, but that they were only financial, and not economic, and that the States with the halting standard, especially the Latin Union, would be much less affected by the depreciation of silver than they expected, and their interest led them to progress towards a single gold standard.

Was it true that England was so clearly and thoroughly convinced of the excellence of its present monetary regulations? If so, how is it that eminent men and great financiers in England begin to have serious doubts in this respect, and to express them publicly? How is it that a former Governor of the Bank of England, Mr. Henry Gibbs, who was the delegate of England at the Monetary Conference of 1878, who arrived at it a mono-metallist and left it a bi-metallist, has just published, with the authority of the present Governor of the Bank, a most remarkable pamphlet, in which the superiority of the universal bi-metallic system over the English system is affirmed? How is it that the Chamber of Commerce of Liverpool, which represents one of the great centres of industry and commerce—how is it that the merchants and manufacturers of Lancashire address petitions to the British Government, demanding the establishment of universal bi-metallism as best meeting the interests of English commerce?

As regards British India, the losses resulting from the maintenance of the single gold standard in England are incontestible. It is equally certain that the commerce of this country greatly requires the re-habilitation of silver. M. Pirmez does not admit that Indian commerce has really suffered from the fall of exchange in London on Calcutta and Bombay, as this fall in exchange has been compensated by a corresponding rise in selling prices. This argument cannot be accepted, though it is specious.* In reality the situation of India towards England is the same as that of the countries having forced paper currency towards the countries with a metallic circulation. As the course of exchange in the countries condemned to a paper money rule undergoes rapid and considerable oscillations; and as the merchant cannot therefore foresee exactly at the moment of

* *See* my note on p. 68.—A. C. T.

delivery what will be the sum which will be given him in payment, he is obliged to guard himself against this risk, either by requiring immediate payment or by increasing the price, which in either case constitutes a serious obstacle to the development of business. It is exactly the same in the countries which, like British India, have as a single standard a depreciated metal like silver. The situation of these latter countries is really more grave than that of the States with a forced paper currency. The latter can manage to restrain the depreciation of paper by an able financial administration, by a great moderation in their issues, and by a clever development of their economic resources; while a State having a single silver standard is condemned at present to submit to the effects of rapid and unforeseen variations in the price of the metal, variations which depend not on its own decision, but on the vicissitudes of foreign legislation.

To support this assertion, M. Luzzatti referred to a memorandum of the Government of India for 1876, and to an essay by Mr. Chapman, Administrator of the Indian Finances,* published in June, 1880. He also quoted a remarkable work, in which Mr. Seyd showed that English commerce with the countries having a single silver standard represents $\frac{3}{4}$ths of its total commerce, and that the employment of a depreciated metal obstructs commercial transactions as much as an increase in customs duties, for it falsifies the very institution of money.†

The *raison d'être* of money is the double quality which it possesses, first of relative fixity in value, and secondly of fitness (which it has on account of the matter of which it is composed) for making its intrinsic value equal to its legal value. If the first of these qualities is taken away from money, it ceases to be money; it becomes a commodity; it is no longer anything but a simple resonant paper-money. The depreciation which results has always grave consequences, but it is particularly disastrous, where it occurs in the relations of different parts of one country, to one another, or of a metropolis to its colonies. Holland has understood this well, and has always maintained a uniform monetary relation between itself and its distant possessions. By following a different method, and by remaining gold mono-metallist, as opposed to India which is silver mono-metallist, Great Britain

* Mr. R. B. Chapman, C.S.I., of the Bengal Civil Service, Financial Secretary to the Government of India from 1869.

† *See* Mr. E. Seyd, "The Decline of Prosperity," 1879, p. 23-4.—A. C. T.

has exposed India and herself to industrial and commercial sufferings, of which she begins to feel the pangs.

In Germany the monetary situation is very uncertain. M. Pirmez declares that they have no desire to change anything there. It is always very difficult and delicate to ascertain whether a great country is satisfied or not with its monetary legislation, for even within the domain of scientific research, the means of determining the true state of things are far from being infallible. At any rate certain signs show that in Germany opinions are more and more divided between mono-metallism and bi-metallism. It is even clear that the latter gains ground day by day, it has on its side the great economists Wagner, Schoeffle, Lexis, Arendt; it has been defended in the Reichstag by many deputies, and especially by one of the most eminent, M. de Kardorff. It has been developed and approved in many public meetings and by the German agriculturists in their annual Congress. The most significant symptom of all is, that Prince Bismarck himself seems to have felt doubts about the value of the mono-metallic gold reform, which was ordered by the German Government ten years ago. He has not taken a direct part in the last discussion in the Reichstag, but he caused the Secretary of State to declare that the Government intended to maintain an attitude of observation, and to adhere to the *statu quo*.

This declaration in a country which, like Germany, has first adopted a single gold standard, and then suspended the demonetization of silver, means that the government is perplexed, that it hesitates to plunge deeper, and that it does not dare to complete the whole of its mono-metallic reform. The result is to preserve provisionally for thalers their full legal force in Germany, just as the crowns of five francs have in the Latin Union.

Prince Bismarck's motives are clear from the comparison which he caused to be made in his organ, between the mass of gold in circulation in the world, and a cloak which was too small for a bed occupied by two persons. Each one wishing to draw the cloak towards himself, it will happen that the mass of gold will become more and more insufficient as the movement of the exchange increases; it will be specially inadequate whenever the States which now employ forced paper money resume specie payments. Prince Bismarck even now foresees and wishes to

guard against the scarcity of gold. This danger cannot be prevented by the produce of the gold mines. This is not increasing but diminishing, as M. Soetbeer proves in his "Statistics of the Precious Metals from 1876 to 1880." Even if the production were increasing, the distribution of the extracted metal in the world is not the same as before, and it would not secure to Europe sufficient gold to permit the paper money States to return to a metallic circulation and the States with a double standard to adopt a single gold standard. The three great gold-producing countries are the United States, Russia, and Australia. Now the United States, since the resumption of specie payments, absorbs all the gold which it produces; Russia places part of its gold in Germany, another part in Central Asia, and keeps the remainder for the payment of its customs dues in gold, and for its external debt; Australia begins already to absorb a large part of its production, and before long it will send to Europe only a small fraction of its precious metals. If we remember all the secondary causes which constantly tend to diminish the quantity of gold in circulation, and the loss caused by manufacture, by wear and tear, and by industrial use, it is evident that Europe must soon suffer from a true gold famine, while M. Suess and other eminent geologists consider the quantity of gold still remaining in the earth as relatively small.*

Some economists say that if gold becomes rare, its price will rise, that the price of commodities will fall in proportion, and that thus equilibrium will be re-established on a new basis; but this re-establishment really means a crisis, that is, ruin for the merchant, misery for the workman, and suffering and pain for all.†

Other economists say, that if gold runs short, the less rich states will content themselves with silver, while the more advanced states will keep the gold. Can it be believed that the states which they expect to reduce to the use of silver will accept a sentence of this kind? Is it thought that the powers which have still a paper-money system will resume specie payments with silver alone? In Austro-Hungary, in 1879, the silver florin, as international money of exchange, actually lost

* *See* "Die Zukunft des Goldes," von Edouard Suess. Wien, 1877 (Braunmuller). This admirable work is being translated into English by my friend Mr. Theodore Waterhouse.—A. C. T.

† *See* Preface p. 5.—A. C. T.

when exchanged for paper money. It would be the same for all the States which have a forced currency. If they wished to return without gold money to a metallic circulation, they would be again reduced to the same situation, to the same state of suffering as under the depreciated paper money system; but they would not suffer alone, for now all nations form one community. It has also been remarked that devices of credit can, when they are very much developed, supplement to a very large extent the monetary circulation, and that civilized nations can, in consequence, with a coinage more and more restricted, effect exchanges more and more considerable. This is true; but it must not be forgotten that if credit institutions are precious instruments of circulation, they present also serious dangers. The documents which they send out represent or suppose value, but they do not constitute it—they do not create it, any more than a photographer increases the population by multiplying portraits. In the same way credit circulation is essentially limited; its development depends on the parallel development of riches, which it helps to express, and on the corresponding increase of the metallic balances which serve it as a guarantee. It cannot, therefore, be stretched beyond certain limits without incurring the risk of one of those catastrophes which the commercial world has already too often known.

All these considerations lead to the same conclusion. Europe must have gold; it must have more and more gold, and yet European gold passes more and more to America. M. Pirmez contests, it is true, this kind of drainage of European gold by the New World; but the drainage is an absolute fact. If a proof of its intensity is required, it is this: while in 1879 and 1880 the export of coin from Europe to the United States only occurred at the end of the year for the settlement of accounts; in 1881, in the three first months only, there were forwarded from England to America two millions and a half of pounds sterling in gold, and other millions have been exported in the same period from France and Germany. It must not be thought that this movement is bound to diminish. European gold will, from day to day, be still more drawn to the United States, and it will remain there longer than M. Pirmez believes. The United States will have need of it to achieve their great reform in the resumption of specie payment. They have still to withdraw from circulation the State bank-notes which represent a

sum of 1,700,000,000 of francs,* and from which they have already taken away forced currency, but which they have not yet paid for. For this operation they must have gold. There must also be gold for all the new enterprises which increase year by year on their still virgin soil. The United States is a world of giants, the appearance of which marks a new era of humanity. Their progress is prodigious and without precedent. They defy calculation as well as comparison. Their population has increased by twelve millions of inhabitants in the last decennial period; their territory is being covered with new cities; their agriculture clears millions of acres in a single year; their industry, which increases every day in unheard-of proportions, becomes for Europe a menace and a danger, against which many of the States of the old Continent seek to protect themselves by the help of customs tariffs;† and it is supposed that such a country as this will send back to Europe in a short time the gold which it has received from it. Without doubt it will not hoard it; but it will keep it, and it will use it as food for all its novel enterprises, just as Europe from 1850 to 1860 utilized for its great industrial and commercial development the enormous afflux of Californian gold which then encumbered its monetary market.

In presence of this exodus of gold, already so evident, and destined to become more and more severe, it would be exceedingly imprudent for Europe, and especially for the States of the Latin Union, not to take measures to redeem silver from the discredit into which it has fallen. This metal, as M. Pirmez admits, is, so to speak, eliminated from circulation and condemned to hide itself in the vaults of the banks. It is thus in the Latin Union; it is believed to be thus in Germany; and it is thought that silver forms now at least ⅔rds of the amount deposited in the vaults of the Imperial Bank. What is the cause of this useless accumulation of silver? Is it entirely, as M. Pirmez holds, the repugnance which the population feels to use this inconvenient metal? No; it is also the discredit which has come upon it from the legislation of several States. They prefer gold, and even a bank-note, to silver, because they know that with bank-notes they can procure gold, and gold is every-

* = £68,000,000.

† Here is an example of the rapidity of the development of industry in the United States: the production of pig-iron was in 1867 2 million tons, last year it was 4½ million tons.—M. V.

where received as international money, while silver is only an instrument of national exchange. If the same international legal-tender power be given to silver crowns which gold money now has, silver will come out from the vaults of the banks. If silver be legislatively rehabilitated, it will take its place in the monetary circulation not only of Europe, but of the United States; for it is not absolutely correct to say that the new dollars struck in accordance with the Bland Bill are rejected by the American Republic. Of 82 millions of dollars which have been struck, 66 have entered into circulation—29 in a metallic form; 37 are represented by warrant-notes, exclusively repayable in silver, and called silver certificates. One has no right, therefore, to pretend that silver does not circulate in the United States; it circulates there already,* and it will circulate much more, whenever the Federal Government withdraws its small bank-notes, the Greenbacks of from one to five dollars. It will circulate there above all whenever it shall have recovered the character of international money.

There is still one last objection to reply to. The gold monometallists, and M. Pirmez with them, allege that the double standard has never been in fact for France anything but an alternative standard, the least valuable metal having constantly driven away the better. This is true; but a very authoritative German writer, M. Lexis, states that France has not lost so much as people believe; for if she has been paid in depreciated money, she has also paid in the same money whenever payment has been made on her own territory. The price of commodities which she has exported has been regulated by the less dear money, and while amassing the more expensive money, and while sending it where it possessed the greatest purchasing power, France has succeeded in developing her importations. The fact is important to note; for the monetary situation of France is the reduced image of that of a great bi-metallic union, of which the most powerful states of the globe such as England, France, the United States, and Germany, would make part. Without doubt, even with a very extended bi-metallism, it would be impossible to prevent differences between the value of the two metals from occurring; because money is an equivalent at the same time that it is an instrument of exchange. Monetary laws in determining a stronger demand for certain precious metals

* *See* my note on p. 71, with extract from "Bullionist" of Aug. 6th.—A. C. T.

augment their value; but the monetary employment of those metals is necessary for mankind on account of the intrinsic qualities with which they alone are endowed by nature. At the same time, the acceptance of bi-metallism by a great number of States would have for effect to limit fluctuations and to diminish their serious consequences. The past in this respect answers sufficiently for the future. If in 1850, at the time of the invasion of Californian gold, gold had been demonetized as certain economists demanded, who can say what fall in price this metal, deprived of its monetary functions, would have undergone? It has kept, nevertheless, nearly all its value up till now, chiefly on account of the action of the French Legislature and the economic power of France: these two causes united have acted as a great compensatory balance.

If gold mono-metallism is a supreme truth, all the nations will adopt it. There will, therefore, be, so to say, nations well clothed and nations unclothed, and fearful crises will be produced. If it is not true, sufferings of which one cannot deny the existence or the gravity, place on government the duty to seek a remedy. This remedy cannot be to maintain a state of things which makes debased silver flow back on the less rich nations; the remedy can only be found in putting in force organic laws, which shall be truely written reason, and in the expression of the necessary relations of the precious metals, whatever may be the measure of these relations, which we cannot at present discuss.

Mr. Fremantle, Delegate of Great Britain, asked to be allowed to make some reservations on the subject of the character of the pamphlet which has been recently published by the former Director of the Bank of England, Mr. Gibbs, with the approbation of the present Director, and from which M. Luzzatti had drawn the argument in favour of the bi-metallic theory. Without doubt, Mr. Gibbs and the present Director of the Bank of England enjoyed in the commercial world a situation exceptionally elevated; but they would be the first to recognize that they did not intend to express the opinion of the Bank of England, and still less the public opinion of Great Britain in the pamphlet to which M. Luzzatti referred.

Sir Louis Mallet, First Delegate of British India, said that he proposed ultimately to make known to the Conference the views of the Indian authorities on the question of the depreciation of silver; he would at present confine himself to the observation

that the memorandum* of Mr. Chapman to which Monsieur Luzzatti had referred had no official character, and did not contain anything but the expression of the personal opinion of the author. It ought to be added, however, that this opinion was entirely shared by many of his colleagues in the administration of India.†

Monsieur de Thörner, Delegate of Russia, considered that at the point at which the discussion had now arrived, the moment had come to quit purely theoretical ground, and to search for a practical solution of the question submitted to the Conference. Could they not come to any general conclusion from the propositions here developed in the name of his Government by the first Delegate of Germany. Assuredly it was certain that one measure is better than two measures, and one single standard than two standards. It seems also incontestable that gold possesses in a superior degree the qualities necessary for a metal employed as money. It is preferable to silver as railroads are preferable to roads; but it does not follow that one ought to make silver disappear any more than the superiority of railroads over roads ought to have as a consequence the destruction of all roads. If money was only a standard and a measure, there would be an advantage in using a single metal, and the best metal; but it is also an instrument of exchange, having an intrinsic value, and the needs of the public require that this instrument of exchange should be placed at the disposal of the public in a sufficient quantity. Is this condition fulfilled now-a-days? Can it be so at present with gold alone? If we determined on a complete exclusion of silver from circulation, could it be so in the future especially? It would be difficult to reply affirmatively to this question. To deny the scarcity of gold is almost to deny evidence, and this scarcity will probably increase; for from the monetary point of view, the possibility of the resumption of specie payment by Italy, by Austro-Hungary, and by Russia, threatens Europe with a great danger. It can only be guarded against by returning, at least in part, to the employment of silver, which they wished to get rid of too roughly, and which has revenged itself. We are not talking of the abandonment of the gold standard, which would be to progress contrary to civiliza-

* Printed as Appendix I. to the proceedings of the Fifth Sitting.—A. C. T.
† *See* my note at the beginning of Mr. Chapman's Memorandum.—A. C. T.

tion. We are also not discussing the establishment between the two metals of that fixed and immutable relation of 15½, which M. Cernuschi proposed to decree. M. Pirmez has clearly shown the inconveniences and the dangers of such a system. Its promoters appear to forget that money has not a legal value, but an intrinsic value, and that in giving it a legal value much superior to its intrinsic value, we risk reducing it to the value of paper-money.

The true practical means of rehabilitating and utilizing silver is to enter into the road open to us by the German proposals. These proposals have a considerable practical bearing. They have a scientific and theoretical bearing, perhaps even more great. They consist of three great points: first, the stoppage of the sale of silver; secondly, the substitution of silver money for small gold notes; thirdly, the replacement of subsidiary pieces of debased silver by pieces of silver having a real value, and struck at the same standard as the legal-tender money.

To prove the advantages which this method offers us, one must first define what is the end to which our efforts ought to tend. Is it simply to cause a rise in the price of silver, in order to permit the treasuries of the different States to get rid, with the least possible loss, of the stock of metal which encumbers their vaults? Is it not rather to bring about a better distribution of the two metals, to allow of the non-employment of gold wherever it is not indispensable, in order to possess a sufficient quantity where it is absolutely necessary—that is to say, in the reserves of the banks. By replacing small gold money by silver money struck at its real value, we attain this end with certainty. The effect which we may hope for from this mode of procedure would be very important if they decided to extend this measure to gold coins corresponding to pieces of ten francs and ten marks. It would suffice that the greater part of the states of Europe should decide to adopt this measure to diminish half the perils with which the scarcity of gold threatens Europe in the future. In fact in calculating that the three great European states still under the rule of paper money, that is Russia, Austro-Hungary, and Italy, represent altogether 155 millions of inhabitants, and by valuing, at the average figure of 35 francs per head, the sum in gold

coin* to be put in circulation, we see that they will have need of five milliards and a half or six milliards of francs [£240,000,000] in gold specie to return to a metallic system. A half of this sum would be found if the gold pieces equal to ten francs and under it were transformed in Europe into pieces of silver, Germany would thus haye at disposal a half milliard of francs [£20,000,000] in gold; France and all the other metallic countries together about a milliard and a half [£60,000,000]; lastly, Russia, Austro-Hungary, and Italy would have need of one milliard less [£40,000,000].

Such might be the practical result of the proposals of Germany. From a scientific point of view they have a bearing not less considerable. The mono-metallist gold theory rested on two axioms: it taught for the one part that one must give to gold the smallest possible notes; on the other part, that one must exclude silver absolutely from circulation by not admitting it except as a debased coinage. The proposals which Germany has just made, pushed on without doubt by the force of facts, are precisely the negative of the two essential points in the mono-metallist's monetary theory. They start on the contrary from this double principle, that there is a certain limit below which it is necessary not to bring the dividing of gold, and that the gold standard does not in any way exclude silver from circulation by the side of gold, but, on the contrary, requires it. We, in this way, return to the old historical tradition which gold mono-metallism had tried violently to break through; we return to bi-metallism with a standard of value, which was formerly silver, which will now be gold, but which, far from eliminating silver, will assure it, on the contrary, a constant and regular employment in the ordinary circulation of each state.

Is it possible to go further on this road? Could one extend to the international exchange the system of bi-metallism with a gold standard, and give silver a place in external circulation? It would seem that to arrive at this result it would be necessary perhaps to coin an international piece, or rather to consider silver from an international point of view as a stock exchange value, of which the price in relation to gold would be fixed periodically either according to the average prices of grain or by an under-

* The gold circulation of Germany is estimated at 32·22 marks per inhabitant. (*See* the pamphlet, "Die Woehrungsfrage in Deutchen Handelstage." Berlin, 1881, p. 16).—M. de T.

standing between the governments. Silver would therefore be, as between nation and nation, considered not as a standard of value, but as a simple instrument of exchange; it would be in fact a kind of ingot which would circulate with this difference, that it would keep the excess value which mintage adds to its intrinsic value, and that it would be guaranteed against the chances of an excessive and sudden fall in price by a kind of international minimum.

This is, perhaps, a question which is not yet ripe and which it is sufficient to merely touch on. What it is important to show at present is, that no extreme system is in possession of the absolute truth. The bi-metallists are right to wish for the circulation of the two metals; but they are wrong in wishing to fix arbitrarily and by a decree the immutable value of silver. The mono-metallists are wrong to wish to drive silver absolutely from the monetary market; but they are right to oppose the pretentions of their adversaries, to regulate the reciprocal relation of gold and silver. The Conference of 1878 will have had for a result to re-act against one of these errors, and to rehabilitate silver in public opinion. It belongs to the present Conference to establish as a rule, that silver has its place marked out for it in internal circulation by the side of gold, and to seek in the method shown by Germany the most proper means of ensuring the practical application of this principle.

Count Rusconi, Delegate of Italy, said: M. Pirmez appears to have forgotten to take into consideration a conviction which has taken possession of the minds of thinkers, and which has caused a crowd of conversions to bi-metallism—the conviction that gold is not sufficient to conduct all the transactions of the human race. Nevertheless, it is this consideration which causes many, who have hitherto supported the theory which he has so brilliantly defended, to pass over to the other camp. This fact is of extreme importance; and without an universal upsetting of all prices, of all present economic conditions, can one adhere to the doctrine of only having gold as money? In England a remarkable movement in favour of bi-metallism is taking place. In India loud complaints are made of the millions of rupees which every year of the monetary legislation of the mother country costs them. The reform in Germany is interrupted in the middle. The halting system of the Latin Union has given rise to a crowd of incon-

veniences. Would not all discussion be closed if the definition of money were once thoroughly agreed on? Is money a commodity? If it be answered "Yes," the bi-metallists are in the wrong, and there could be nothing more absurd than to wish to fix a constant relation of value between two commodities; but if money is not a commodity, if it is only a creation of the law which makes it and unmakes it at its choice, why cannot the law which makes money fix also a relation of value between two moneys? I accept the relation of 15½, because it exists, because it has performed its functions very well for a hundred years, whatever has been the production of the mines, because I do not wish to demonetize eight or nine milliards [£360,000,000] of silver money, nor to recognize a principle which would oblige me to perpetually re-perform the operation. It is nature in the end which is responsible for the equilibrium. If there are divergencies from time to time in the production of one or other of the metals, the total production, as statistical tables show, follows an uniform and regular course. I thus accept 15½ as I would accept 16 or 20 if it existed. Did the circulation feel any effect when we were inundated several years ago with five milliards of gold [£200,000,000] which came to us from Australia, from California, from Russia? Not the least in the world. It is now the turn of silver. That will pass away as gold passed; I therefore accept the rate of 15½. The idea of M. Pirmez is the system of the single gold standard; but did he not himself join in the declaration of the Conference of 1878 in which it was laid down that it was not desirable to get rid of silver; that it was necessary, on the contrary, to maintain in the world the monetary *rôle* of silver as well as that of gold. And, in fact, that which has happened to silver would have equally happened to gold if while following the idea of an illustrious economist, who is unhappily dead, we had demonetized it. The two metals compose only one monetary mass. There is a white metal and a yellow metal; but it is always money which is made from them. Take one away, you upset all prices; it would be impossible for all countries which have now a forced paper currency to get rid of it; you would have separated one-half of the human race which has no other money than silver from the other half which has only gold, and there would no longer be any means for them to

come to an agreement—you would oblige them simply to return to barter. As regards the intrinsic value of the metal of which so much is said, to what is it reduced, and in what proportions does it enter into the composition of the value of money? I have a purse, I have skates; but if the law decrees a forced paper currency, if nature no longer freezes water, what becomes of the intrinsic value of my purse or of my skates? In metallic money there is certainly an infinitesimal part of the value which it represents; but close the mints to the metal of which it is composed, and you will have the exact measure of its intrinsic value. Ricardo has said that money in its most perfect form is paper; but on condition that ingots deposited somewhere should guarantee its value. We may accept the theory of Ricardo, but only if we consider the deposit of the ingots as a guarantee of quantity, not of value. The productions of nature are limited; those of man may have no limit. I accept, therefore, the guarantee of the ingots, but only as regards quantity; that is to say, in order to be sure that I shall not receive greenbacks. As regards value, the ingots guarantee hardly anything at all. Money is not a commodity. M. Pirmez has said that the dynamics of values do not differ from those of bodies. "Take," he says, "two live bodies of a different movement; unite them by a cord: you will obtain an uniform movement; but whatever is gained by the one is lost by the other." I reply that this is of no consequence, if the quantity of the movement is not diminished, if it remains always the same. Let silver rise, let gold go down; that is of no importance if the metals only compose one single monetary mass. To resume, gold is not sufficient; the monetary conditions of the world cause great uneasiness. We have one proof of it in our own meeting. The example of the Bank of France does not signify much. We need not think of changing the rate of 15½. Money is not a commodity. If differences occur in the production of one or other of the metals, when we examine them separately the differences cease, as soon as we add up the two different productions. To proscribe one of the two moneys would be equivalent to suppressing money, and to putting back for 3,000 years the course of humanity. I should propose, then, that the whole discussion should be now turned, and should be restrained to the definition of money, from which results may come of which we have not as yet formed a sufficiently exact idea.

M. Burckhardt-Bischoff, Delegate of Switzerland, said: I am perfectly convinced that the monetary policy which has been inaugurated in the Latin Union since 1865 with the concurrence and help of our colleague, M. Feer-Herzog, has been a wise policy; that it has given us good results, and that the successive restriction and, later on, the complete suppression of the coinage of silver have alone been able to preserve the states of the Latin Union from seeing all their gold disappear from circulation, and be replaced by pieces of silver. There must, therefore, be serious reasons for abandoning this policy and for again opening our mints to the unlimited coinage of silver. Do these reasons exist? It is necessary to examine this point minutely. M. Cernuschi has said that it is the law which makes money, that it is the State which determines its value, that it is in the power of the State to confer simultaneously on the two metals the character of money, and to fix in a durable and obligatory manner the relation which ought to exist between the value of gold and the value of silver. We contest this. The State by placing its mark on the disc of gold or of silver merely certifies its weight and its standard, and gives it a name;* and, again, it is this name, conferred by the State, which is the first cause of the confusion which exists in the matter of coins, and of all the direful measures which have been the consequence of it. If the unit of the French standard which is 5 grams of silver at $\frac{9}{10}$ths fineness had no other name than 5 grams of silver, it would be invariable. Five grams of silver at $\frac{9}{10}$ths fineness would remain to all eternity 5 grams of silver. The law of the State would have absolutely nothing to say to it, nothing to add to it, nothing to take away from it; but the law has conferred on this unit the name of franc. The franc represents now indefinitely either a disc of silver of 5 grams at $\frac{9}{10}$ths fineness, or a disc of gold of a weight whose proportion with silver is that of 1 to $15\frac{1}{2}$. That is the effect of the law, and this has been the cause of the monetary confusion which has lasted during centuries and which still lasts.

When the value of gold has increased in reference to that of silver, the State has diminished the weight of gold forming the monetary unit; when it is the value of silver which has increased, the State has diminished the weight of the silver. Thus,

* In the great majority of cases it does much more than this, for it gives it a legal (or nominal) value greater than its intrinsic value.—A. C. T.

in the course of centuries, the weight of coins has been constantly diminished and deteriorated. The name has remained the same, it is true. The monetary unit was always called a livre up to the moment when its name was changed by the law of the year 1811 into that of a franc; but the livre was no longer a livre, it diminished and diminished till it was reduced to a very small part of the original livre. That gave a profit to the Government which manufactured the coins, it gave a profit to the debtors who paid their debts in the weight of silver or of gold inferior to that which had been agreed upon; but all these profits were made at the expense of the general population. We see the last example of a similar diminution of weight of money in France applied to gold in the declaration of the King, of the 30th October, 1785, as it has been reproduced in the document appended to the proceedings of the International Monetary Conference of 1878. It is this royal declaration which has inaugurated the legal proportion of 15½ between gold and silver, which was afterwards adopted by the law of the 17th Germinal of the year 1811, and forms up to this time the basis of the monetary system of France and its allies. It results from what precedes that it is the law indeed which by conferring the name on a piece of money has been the instrument of the successive deteriorations of coin which we have seen in the course of centuries; and that, far from establishing in a fixed and durable manner the value of money, it is, on the contrary, law, or rather a bad application of law, which has altered and falsified the value of money. I believe that the principle of the single standard as the basis of the monetary system of a nation is generally admitted by science; it is recognized that the monetary unit should consist of a disc of gold or of silver of a fixed weight and standard. It is better not to have in theory two independent units, one of gold, the other of silver, and having an equal value among themselves. This is recognized by all economists as an absolute scientific truth; but a certain number of them contest the fitness of it when we come to apply it in practice.

I have tried to ascertain what is the opinion of financial men in Switzerland. I must say that the question is exceedingly debated among us, as it is with others. We have among our bankers warm partisans of the re-establishment of the circulation of silver; we have others who defend the *statu quo* and

who admire the gold standard. I must, however, observe that these gentlemen are not always disinterested in the question. It is clear that those who deal in precious metals have a pecuniary interest in the maintenance or re-establishment of the double standard, which is for them a source of operations at the same time lucrative and bringing no risk. We must, therefore, receive with a certain reserve their complaints and their wishes, as one may suspect that they are influenced to a certain degree, even without their knowledge, by motives of individual interest. If we now pass to the financiers of Paris, I may say that I have tried to ascertain the manner in which they discuss this question. I must admit that here also opinions appear to be divided; but I have had an impression that the cause of the single gold standard has made during the last few years some progress in the ranks of high banking. I have been specially struck by the observations, full of justice and precision, which have been made to me by a man who occupies a very high position in the financial world, and who is at the head of one of the first credit establishments in Paris, inferior in importance only to the Bank of France. This person has said to me, speaking of the monetary standard, "This is above all a question of honesty. If I lend to a merchant 155 kilograms of silver, honesty demands that he should restore to me 155 kilograms of silver; if I lend him 10 kilograms of gold, honesty demands that he should restore to me 10 kilograms of gold. But it is not honest that the law should grant to my debtor the option of restoring to me as he chooses either 10 kilograms of gold or 155 kilograms of silver, whichever may present to him at the time the most advantage. The law should be just and equal for all, and should not arbitrarily favour either the creditor or the debtor. This is what constitutes the superiority of the English market in the commerce of the world. When I buy a bill of £1,000 on London, I know that I shall receive so many ounces of gold at 22 carats, which results from a proportion of £3. 17*s.* 10½*d.* an ounce; when I buy a bill of 25,000 francs on Paris, I do not know whether I shall receive gold or pieces of 5 francs in silver, and I do not know at what price I can exchange the pieces of 5 francs in silver against gold. It is for this reason that bills on London form the principal regulator for international operations in the entire world—in India, in China, in Australia, in America; and this is the reason why

they are preferred to bills on France. It is for this reason that I make all my contracts for a long term in sterling pounds in gold payable at London. The sterling pound is a solid and unalterable basis, while the franc is not so. Nearly all the French governments since the King Phillipe Auguste, have successively deteriorated the old French livre, and the franc under the regime of the double standard is still subject to deterioration. This deterioration may even be very apparent if we are ever obliged, on account of a bad harvest or of any other unpleasant accident, to pay for our purchases made in foreign countries with silver. The franc is a name which does not represent a single object, whether it be a determinate weight in gold or a determinate weight in silver. For any monetary system the essential basis is honesty and truth."

My further observations apply—first, to the pretended loss sustained by the German Government by putting into execution their monetary reform; secondly, to the difficulties felt by the Latin Union on account of its stock of 5 franc silver pieces. M. Cernuschi has told us that Germany has lost 96 millions of marks through its monetary reform, and that the other nations have benefited by this loss. He has proposed that these 96 millions should be re-imbursed to Germany by the other nations. I would observe, first, that according to the official documents which have been communicated to us by the Government of Germany, the difference resulting from the sale of 7 millions of livres or about 3 millions and a half kilograms of fine silver, compared to the buying price, only reaches 71 millions of marks; and that the payment of 25 millions comes from the wear and tear of the old coins withdrawn from circulation. This is a loss necessary to all monetary circulation, and which has absolutely nothing to do with the monetary reform and the introduction of the gold standard. There would, therefore, be in any case only a sum of 71 millions according to M. Cernuschi, which the other nations could be called on to re-imburse to Germany; but I go further than this and dispute that any loss has resulted to Germany on account of its monetary reform. We must not lose sight in fact that the German mark which constitutes the gold unit has a very different and very superior value to the third part of the old thaler based on silver. The so-called loss results from the exchange of the old silver moneys against gold on the basis of 15½; but at the present moment this

proportion is 1 to 18. To buy a thousand kilograms of gold, Germany has paid 15,500 kilograms of silver, plus 1,700 kilograms for the so-called loss of silver, total 17,200 kilograms of silver. At the present time these thousand kilograms of gold are worth 18,000 kilograms of silver; there has, therefore, been no loss, but a gain, and if Germany wished now to buy back all the silver which she has sold during the last eight years, she could do so with a considerable profit. But it is not only the silver which has been sold and replaced by gold which has an excess value, the sum of the silver sold reaches 7,130,000 livres, and has produced a sum of 567 millions of marks [£27,792,804]. But all the monetary circulation of Germany, which consisted formerly of silver, and which is now based on gold, a circulation which may be valued in all at nearly 2 milliards and a half marks, has profited by this excess value. We have just now the exchange on Germany at Paris at 124 francs for 100 marks. If Germany had still its ancient silver standard, we should have the exchange at Paris at 110 or at 105 francs per 100 marks. On a monetary stock of 2½ milliards [£100,000,000] this would constitute a difference of, at least, 300 to 400 millions of francs [£16,000,000]. To estimate the result of the monetary reform it is necessary to state not only the figure of the marks which have been realized, but also the value of the mark in comparison with the franc; I therefore consider that the monetary reform in Germany has not necessitated any real sacrifice.

There remains the second point on which I wish to say a few words, that is to say, the stock of coined silver existing in the Latin Union. I admit that this is more serious, and that it has inconveniences for the present and elements of danger for the future. However, the approaching abolition of forced currency and the resumption of specie payment by Italy ought to sensibly diminish these inconveniences and dangers by creating for the circulation of our silver pieces a new and vast opening, and in giving them access to a great country with a population of 28 millions of inhabitants. The silver stock will be divided over a population of nearly 80 millions of inhabitants instead of over a population of 50 millions only which now uses it. It is still, however, true that this stock of coined silver is considerably in excess of the needs of the internal circulation of the Latin Union; the population do not wish for it and reject it; ex-

ternal commerce does not admit these pieces at the artificial value which is given them by law, so that they flow to the public treasuries and to the great financial establishments, and that they encumber the vaults of the Bank of France. I think it is necessary to seek for a remedy for this state of things. We could convert into ingots a part of these pieces of silver which are rejected from circulation. The ingots would have a fixed weight of one kilogram, 10 kilograms, or 100 kilograms, and would be of an uniform standard of $\frac{9}{10}$ths. They would be placed in the vaults of the great banks of issue—of the Bank of France, of the Bank of England, of the Imperial Bank of Germany, and others. In exchange for these ingots the banks would issue silver certificates, like bank-notes, but giving the right to one or more ingots of silver of a fixed weight, and with a standard of $\frac{9}{10}$ths. These certificates might be made payable to bearer, or in a particular name and transferable. By means of indorsement they might serve as an instrument of exchange, and might replace silver money in all that concerns the circulation of silver. They might circulate freely in the entire world as cheques or bills of exchange, without giving place to any displacement of the silver which they represent. Merchants would buy them and would withdraw the silver deposited in the bank whenever they might have need of it for industrial purposes or for commerce with the countries of the East, or for any other purpose. It seems to me that this is an idea which is worth the trouble of discussing and of being taken into serious consideration. It is possible that it may contribute in a certain measure to the solution of the question which now occupies us. There would be, no doubt, a loss more or less serious to meet in converting into ingots the 5-franc silver pieces, and in substituting as regards this stock of silver the real and commercial value instead of the artificial value which is given it by law; but this loss we shall only endure once, and if we manage, even by means of considerable sacrifice, to stop the inconveniences and dangers inherent in the present monetary circulation, and in establishing the latter on solid and durable bases, I think the result which we obtain will not be purchased too dearly, even by the sacrifice of a considerable sum of silver.

Switzerland is a small country. From all times she has used to a greater or less extent for her internal circulation the money of her neighbours, whether German or French. Since 1850

she has adopted the French monetary system, and has allied herself entirely with the monetary policy of the French nation. This same tendency later on brought about the constitution of the Latin Union. Switzerland does not desire more than to continue in the same way, and to progress in accord with France and with her other allies in the monetary question.

M. Cernuschi without wishing to reply to the discourse of M. Burckhardt-Bischoff wishes to recall that contrary to the valuation made by the Swiss Delegate, the German Government has really lost 96 millions of marks through the application of its new monetary system. The Imperial Chancery proves it in the memorandum which has been distributed to the Conference, and it would be impossible logically to take into account under the head of compensation the profit of quite a different nature, which the German Government has been able, at the same time, to realize on the manufacture of small coin.

The remainder of the discussion was postponed to Friday the 12th May, at 1.30 p.m. The Sitting ceased at 5.30 p.m.

TABLE OF GOLD, SILVER, COPPER, AND BRONZE (

Years.	Legal Pieces.			
	Pieces of 10 florins. — *Gold.*	Pieces of $2\frac{1}{2}$ florins. — *Silver.*	Florins.	Half-flori
1871......	..	4,780,000	..	..
1872......	..	2,452,000	150,000	..
1873......	..	8,540,000	530,000	300,0
1874......	..	494,430	..	..
1875......	..	1,600,000	..	..
1876......	5,000	784,000	100,000	..
1877......	42,600	6,600,000	..	..
1878......	..	4,000,000	..	..
1879......	70,000	2,400,000	..	..
1880......	50,059	1,200,000	120,000	60,(
	167,659	32,850,430	900,000	360,(
1842-1860	..	21,368,081	34,769,925	20,824,(
1861-1870	..	44,212,200	27,421,956	25,364,(
	167,659	98,430,711	63,091,881	46,548,(
Re-exported to the Netherlands	27,000	4,691,200	..	..
	140,659	93,739,511	63,091,881	46,548,(
	f. 1,406,590	f. c. 234,348,777 50	f. 63,091,881	f. 23,274,(

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n-of in. r.	Copper Money for Netherlands India. Pieces of 2½ cents. — *Copper.*	Cents. — *Copper.*	Half-cents. — *Copper.*	Number of Pieces exported each year and period of 10 years.	Nominal value of exports annually or in periods of 10 years.
					f. c.
	..	..	..	4,780,000	11,950,000 00
	..	..	..	2,602,000	6,280,000 00
	..	..	..	9,370,000	22,030,000 00
	..	..	..	494,430	1,236,075 00
	..	..	..	1,650,000	4,012,500 00
	..	..	..	889,000	2,110,000 00
	..	..	..	6,642,600	16,926,000 00
	..	..	..	4,000,000	10,000,000 00
	..	..	..	2,470,000	6,700,000 00
	..	..	..	1,430,059	3,650,059 00
	..	..	..	34,328,089	84,895,165 00
60	80,029,886	407,906,245	427,911,930	1,061,375,135	117,499,496 75
	..	..	..	112,231,156	151,534,186 00
60	80,029,886	407,906,245	427,911,930	1,207,934,380	353,928,847 75
	..	..	..	14,375,346	12,665,828 85
60	80,029,886	407,906,245	427,911,930	1,193,559,034	341,263,018 90
	f. c.	f. c.	f. c.		
98	2,000,747 15	4,079,062 45	2,139,559 65		

FIFTH SITTING.

FRIDAY, 12th MAY, 1881.

The sitting was opened at two o'clock.

The discussion of the general list of questions was then resumed.

Mr. Dana Horton, Delegate of the United States, read the following address:—

Although opposed in theory and in practice to the movement of ideas toward the adoption of the gold standard, to which M. Feer-Herzog's activity made such important contribution, I could not fail to recognize in the motive forces of this great movement the sense of the need of a closer union among civilized nations; and, although I did not believe it possible to form a great monetary union without using both metals at the same ratio, I have always felt for those who created and directed this movement the sympathy natural to one who has sought to realize what he at least believed to be the better portion of their aims.

I cannot, however, now pass to our discussion without having mentioned the death of Ernest Seyd, the monetary writer, whose works are known to you, and which took place at Paris since the convening of our Conference. It was the profound interest which he took in the Conference which brought him here, and which, I believe, hastened his death. How intense that interest was may be well understood when we remember that but a few years have passed since the day when there was no serious opposition to the general adoption of the gold standard, except on the part of Professor Wolowski at Paris, and of Ernest Seyd at London.

I now pass, gentlemen, to some remarks on certain passages of the address of the honourable Delegate of Norway at the second session.

In this remarkable address he has presented to us an in-

teresting résumé of the economic history of our time, and, notably, he has established the comparison between the situation before 1850 and that in the midst of which we live, so far as regards the means of exchange and of transportation.

Let us turn our attention upon the picture which he presents; taking France at the same time, as he does, as the centre of gravity in the monetary world.

In the period which in France is known as the reign of Charles X. and of Louis Philippe, we see a preponderating circulation of silver. The 5-franc pieces which exist in such great abundance in France predominated in the monetary world.

Gold was scarce—exceedingly scarce; a premium was paid for gold, and it was a high premium. Nevertheless, people used what gold they had: gold circulated. There was gold in the countries which had the double, or what I have preferred to call the silver and gold standard, and it was used in business; only it was used at a premium.

It is this situation which gentlemen fear to see reproduced.

If I have rightly understood them, the speakers who have depicted the possible results of the formation of our Bi-metallic Union have presented the situation before 1850, which they have portrayed in the blackest colours, saying to the bi-metallist, "In this you see the outcome of your work: *Mutato nomine de te fabula narratur.*"

Let us ask, then, what was the cause of this premium on gold, the successor of which is to overthrow the fixed ratio of our Bi-metallic Union.

Premium means, does it not, that there was a demand, an employment for gold, and that there was not enough gold to supply it. Otherwise gold would have rested at par; that is to say, at the ratio fixed by the French law.

Now what was the total stock of gold as compared with silver at this epoch? If I be not mistaken, all specialists are agreed that the proportion was approximately 40 per cent. of gold to 60 per cent. of silver, while the annual yield of the precious metals was about one-seventh what it is now, and of this yield not even 40 per cent. was in gold.

The expression *Geld-Theuerung* which the learned German economist, Roscher, has applied to a part of this period, seems to me to apply to the entire period when it is taken as a whole,

and when one remembers that it was inaugurated by a general retirement of paper money.

In this situation, precisely the opposite of the present situation, when gold is in a crushing majority in the Western World, there was always the pressing demand for gold for England, which has been so often mentioned. The character of this demand, in its first attack against the monetary basis of the business of Europe, at the time of the resumption of cash payment, is very well defined when I say that the demand of the year 1821 brought about a rise of the *friedrich d'or* in Germany from 5½ to 5¾ thalers, nearly 5 per cent.

I cite in support of this assertion an authority whom all are bound to respect. I refer to the learned Hoffman, First Professor of Political Economy at the University of Berlin, First Director of the Statistical Bureau of Prussia. (Documents of the Monetary Conference of 1878, p. 706.)

But when we remember what the industrial and commercial importance of England was at that epoch, and that, as has been so well explained by Dr.Broch, every journey which gold made in its business of circulation, took so much time when people had to trust to horses and to sailing ships rather than to locomotives and steamers, I ask you, was it not a very strange fact that the premium paid for gold in France was so small?

The blanket was very narrow, if you will permit me to borrow Prince Bismark's simile, and England was lying in the middle: why did not those who were on the outside pull harder at the blanket? Was it not because the law, by giving either metal the power of acting as substitute for the other, made the blanket stretch, so that they did not have to pull so very hard?

I confess to you that the facts upon which the Delegates of Norway and of Belgium seem to rely—I speak here of this portion of the address of M. Pirmez, in which he predicts for us a premium on gold—seem to me to support precisely the opposite conclusion to that which they draw.

I see in the situation before the discovery of the great gold mines a powerful reason why the European Continent should complain of England for disorganising, by her refusal to use silver, the stability of the purchasing power of Continental money, both domestic and international.

One might, indeed, say that this premium of which we have been speaking, never would have existed if England had been

content to take merely her fair proportion of the metallic stock of the Western World at that epoch.

I see also in the fact that, notwithstanding such rude attacks, the premium on gold kept within such narrow limits, a proof of the intimate relation which I have believed to exist between money and law, and which induces me to think there will be no premium on gold in our Bi-metallic Union.

In connection with this observation I allow myself to call your attention to certain historical points which have been mentioned by the Delegate of Switzerland, M. Burckhardt-Bischoff, and also I think by M. Pirmez.

I refer to the assertion that the French laws of 1785 and 1803, in adopting the relation of 15½, had done nothing but merely adopt a relation already created by the natural course of events.

This is an opinion generally—I might, indeed, say universally—held by those who have taken an interest in this question.

Nevertheless, the researches which I have myself made enable me to present information upon this particular question as well as upon the general rise of gold at the end of the last century and at the beginning of this, which indicate not only that this opinion about the origin of the ratio of 15½ is unfounded, but also which show clearly that this rise of gold was directly the result of laws which favoured gold at the expense of silver.

The documents upon which these conclusions are based are to be found, in English translation, in my "Contributions to the Study of Monetary Policy" in the "Document of the Monetary Conference of 1878." If the Conference has no objection, I will, without taking time to set forth the matter now, present a memorandum on this question to be printed as an appendix to the Proceedings. (*See* Appendix A.)

In presence of observations which have rather a theoretical nature concerning the ineffectiveness of legislative interference in matters of money, and which have been presented by the Delegates of Belgium, Switzerland, and Russia, I also ask permission to present as an appendix, the considerations on this subject embodied in my pamphlet entitled "La Monnaie et la Loi," which has already been presented personally to the Conference. (*See* Appendix B.)

Returning to the question, I shall, if the Delegate of Belgium will allow me, ask him to make the attempt to apply the economic

principles of freedom of exchange upon which, if I do not deceive myself, his views on the nature of money are based—to the situation of Europe at this epoch of which we have been speaking.

It is neutral ground in the past, but at the same time familiar ground. What would have been the result if it had been left free to all those who had payments to make, to choose, each one, his means of payment? That is what I should call the logical result of the application of the principle of freedom of exchange to money. (*See* Appendix F, 12th Session.)

But if we approach the question as M. Broch and M. Pirmez have formulated it—that is to say, whether it is not to be feared that the fixed ratio when it shall be established will be at once abandoned, it is necessary to ask which of the two metals will command a premium on the other. These distinguished speakers say that it is gold which will be at a premium. Very well. Do they admit then, that gold is about to become scarcer than it is now? I think they are, to a certain extent, bound to make this concession. The supposition, therefore, upon which this opinion is based, is it not that the stock of gold is already, or is about to become, too small to meet the demands of the Western World, and that, for this reason, gold is to be at a premium after the Bi-metallic Union is formed? I beg you to look at the other side of the supposition. It is a melancholy picture!

Let us leave to one side for a moment the serious question of the *Geld-Theuerung*, the money famine, the prolonged crises which I have mentioned in the list of questions which I had the honour to present. I merely ask, with reference to this important matter of the premium, how long do you expect to be able to keep the five-franc piece at par in the terrible situation which has been depicted? If gold is to be at premium over silver in the Bi-metallic Union, when silver will be money and coinable in Europe, money and coinable in Asia, in America, and in the Islands of the Sea, can you have any doubt that in case the Bi-metallic Union is not founded, gold will be at a premium over tokens?

I regret to be obliged to repeat here remarks which I made in the Conference of 1878.

But it seems to me that we neglect the important fact that the 5-franc piece is a token. In fact it seems to me that it is in the order of the day for the adversaries of bi-metallism to propose

that these silver coins shall be redeemable in gold at the demand of the holder.

If we accept the hypothesis that gold is to be insufficient for monetary uses, I think we shall also have a reply to the distinguished speakers who express the fear that in the Bi-metallic Union silver will fill the circulation and gold will stay in the banks. The danger of such a state of affairs seems far more imminent if the barriers are maintained which now paralyze the international movement of silver—that is to say, if the Bi-metallic Union is not formed.

Lastly, I have to say, with reference to the question raised by Dr. Broch—namely, whether the lightness or the portability of gold has not to-day an importance relatively greater than it possessed at the period of which we have spoken—that I can by no means accept as valid the reasons he gives for his view that this is the case. The important fact to which he calls our attention, that to-day stocks and bonds travel about over the world, appears to me a proof that the whole world has a new interest in the stability of the international purchasing power of money. So likewise the new modes of transportation seem to me adapted to facilitate the transportation of the metal silver, relatively so light, as well as of wheat, and meat, and cheese, and other commodities, which are relatively so heavy, and yet which in our day make such long journeys. If the greater part of commerce consists in having commodities which, value for value, weigh ten times or a hundred times more than silver transported by railways and steamers, I see no insurmountable inconvenience in having the balance—the small residue which is paid in money—likewise transported, though it be silver.

In another part of his speech the Delegate of Norway has presented us with very serious views on the situation of existing silver coin throughont the entire world. He estimates the total sum of gold money at 18 milliards of francs, and the total of silver money at 16 milliards nominally, but really at 14 milliards, because of the depreciation of silver. The formation of the Bi-metallic Union means therefore, he says, a rise, an increase of the total stock by 2 milliards (2,000,000,000 francs). If I be not mistaken the Delegate of Belgium regards the situation from the same point of view as Dr. Broch and draws the same conclusions, namely: that "the formation of a Bi-metallic Union would give a stunning shock to the commercial and industrial world, and cause a serious disturbance in all communities."

I may be permitted to ask if there is not here an error in the calculation, which becomes a very serious matter on account of the conclusions to which it gives rise.

If this silver coin were really depreciated in its quality of money, there would be of course a fall of gold and a sudden and similar rise in silver.

But is this silver depreciated? Is it true that gold is at a premium of 18 per cent. over silver coin in the Scandinavian Union, in England, in France, and in Belgium?

It is for you to decide this question, gentlemen; for myself, I avow, judging by my experience in the last few weeks, I found that in England no more than 20 silver shillings were given or taken for a pound sterling, while in France, in the circulation, a napoleon is worth no more than four 5-franc pieces. In my country I am absolutely certain that the silver dollar is still at par with gold. In fact, I remember that the Delegate of Norway, in an eloquent address which he delivered in the Conference of 1878, expressed the opinion that that dollar would remain at par provided it were protected by maintaining the limitation of coinage. I must therefore ask for more precise information concerning the existence of this silver coin, the situation of which as money is to be so changed by the formation of the Bi-metallic Union. If its situation as national money—for the question of its exportability has not been raised by the delegates—does not change, if the shilling, the florin, the franc, the mark, the krone, the dollar, exchange at the same rate relatively to gold after as before the formation of the Bi-metallic Union, the objections of the delegates do not seem to repose upon a very permanent basis.

It is in the Indies, however, in China, in South America, in Mexico, that the greater part of the 16 milliards of silver coin are, of course, to be found. But is the silver coin there depreciated? Has there been a corresponding change of prices in those countries since 1873? If the delegates can give us any information on this point, it will be of the greatest interest—I await it with impatience. From my present point of view, however, I do not understand that the Bi-metallic Union implies any other important change in the situations of these peoples than the following:—In their foreign commerce and in international investments where gold has been recognized as the medium, or as the standard of payment, there will be a change;

and the same thing will happen in gold countries, *mutatis mutandis*. But even in these limits—and they are very narrow—I find that the language used by the learned orator passes the bounds of reality. Silver will rise 18 per cent., he says, and gold will fall. But if there be a rise of silver of 18 per cent., there can hardly be a fall of gold of the same degree. If gold descends, it must surely meet silver on the way.

M. Cernuschi, Delegate of France, proceeded to prove that bi-metallism with a fixed relation of 1 to 15½ is legitimate and necessary; to reply to the different objections made against the system by Messieurs Broch and Pirmez; to show how bi-metallism at 15½ was able to perform its functions with success during many years; what chances it has of being adopted again by the principal nations, and under what conditions it can be re-established. (1) It is not necessary, it is not desirable, that the human race should have one single philosophy, a single religion, a single language; but it is necessary, it is desirable, it is indispensable, that the human race should have one single coinage. The human race had it; the mono-metallists have dispossessed them of it. Up to these latter years humanity enjoyed the immense advantages attached to the unity of money, and these advantages were not due to the employment of one piece of uniform money; they were obtained by the unity of material. The law, in placing the yellow metal and the white metal on an equality, in establishing between them a fixed and an invariable proportion, had, in fact, created a single metal. This is what the legislator had decreed, and in this he had not exceeded his right; he had simply used it as the mono-metallist gold legislator uses it when he decides that gold shall serve as money and shall have a forced currency, as the silver mono-metallist legislator uses it in an inverse sense for silver. There is nothing in this arbitrary, if by arbitrary one means the misuse of the free power which belongs to the legislator in the exercise of the prerogatives with which he is invested. He who says "money," really says "value fixed by law." Money without a fixed value, without a legal and obligatory currency, is not money, but is simply a commodity. The gold mono-metallists recognize this among the first; otherwise, why do they decree that gold shall neither rise nor fall in price. If the creation of a fixed value for money was not considered an essential right of the legislator, the very

institution of money would crumble to its base. There would then be an exchange of products for products; but there would be no longer purchasers, no longer sales, no longer price, no longer payment: we should return to the procedure of primitive society, to barter, as it is among savages. (2) If bi-metallism with the fixed proportion of 1 to $15\frac{1}{2}$ is legitimate, it is equally possible. This has been denied; but it is to deny the light. It is so possible that it has existed during very nearly a century. From 1785 to 1874, in spite of all the disturbances in the production of the mines, in spite of all the economic and political catastrophes, it remained the monetary law for the entire world. Let us examine the price of silver in London from 1833 up to 1874. We shall see that this metal has, with the exception of the variations of exchange, been always at par at $15\frac{1}{2}$ in relation to gold. I place on the table the statement of Messrs. Abel and Pixley, which gives the prices of silver from 1833 up to 1880. I shall have occasion, later on, to show how these prices have fluctuated within certain narrow and well-known limits around the par of $15\frac{1}{2}$, which is $60\frac{13}{16}$ pence per ounce. An electric cable unites Europe and America. The cable breaks. We propose to repair it, and this is what they say: "But it is not possible that Europeans and Americans could correspond by means of a cable." This is our situation with regard to the mono-metallists. They maintain that the employment of a legal bi-metallic value is contrary to nature, although nature has never opposed during nearly a century the regular and peaceful performance of its functions. The proportion of $15\frac{1}{2}$ has been maintained up to the time when the equilibrium was broken by legislation through the suspension of the coinage of silver in France. Bi-metallism is not only legitimate and possible, it is also necessary. It is the only system which guards humanity from the uneasiness and suffering resulting from the variations which occur in the production of mines. These statistics of the so-called precious metals which play so great a part in the arguments of the mono-metallists have no importance in the eyes of bi-metallists, because they take as the basis of their system the primary actions from which the monetary ideas spring, and which consist in the acceptance of natural facts. They admit as monetary metal the whole quantity of it which exists or which may exist, whatever may be its colour and whatever may be the amount of it annually extracted. M. Broch

furnishes us with statistics in which he gives the value of gold and of silver annually produced. How does he set to work to make this valuation? He has recourse to the proportion of 15½. He says, for example, that the silver produced rises to such and such a sum in francs; but he has no right to proceed in this way. Silver not being coinable into francs, it is impossible to state in francs the value of the metal silver. This metal is no longer in Europe and in the United States anything but a commodity with a variable value. This point is very important. M. Cernuschi had therefore written to the house of Wells, Fargo, and Co., of San Francisco, which publishes periodical statistics on the production of the two metals in the United States, and had asked them if it would not be better to give up stating the *value* of the metals produced, and content themselves with simply giving the *weight*. This is the reply of Messrs. Wells, Fargo, and Co.

"Wells, Fargo & Co. to M. Cernuschi. San Francisco, the 12th April, 1881. I have received your letter of the 14th March. I shall be quite willing to inform you fully, but it is impossible for us to give exactly the weight of the metal, and it is also impossible to give the value with exactness, for the accounts of certain places of production are based on the commercial value of the metal silver at the moment of export, and the accounts of other places have been made up according to the former legal value which silver had in the United States. J. VALENTINE, Superintendent-General."

According to the bi-metallists the law is stronger than all irregularities of production. It has clearly proved this from the time of the opening of the Californian and Australian mines. The French law has prevented the fall of gold which the mono-metallists had announced. This is what Mr. Ingham, the Secretary of the Treasury of the United States, foresaw for the future, and proved for the past, in a report on the relative value of gold and silver, presented on the 4th May, 1830, to the Federal Senate. Mr. Ingham said, "After having examined everything with the greatest care it seems to me evident that the following conclusions, which are as singular as instructive, must be admitted. Whatever may be the degree of uncertainty which exists on the precise quantity of the precious metals which have been introduced into Europe during the 53 years which followed the discovery of America, the histories of the times prove abundantly

that the greater part of the arrivals were not gold, and that this great preponderance did not produce any sensible effect with regard to silver on the market. It is evident that the enormous importations of silver which have occurred in consequence of the discovery of the mines of Potosi, which mines alone produced from 1546 to 1556, 150 millions of dollars of silver, did not cause the relative value of the two metals to vary by the rise of gold; for we find that in 1560 Queen Elizabeth and her eminent councillors considered that it was necessary to reduce the legal value of gold, which was $11\frac{1}{10}$ in proportion to silver, and to fix it at 11 only. The discovery of the alluvial mines of Brazil in 1695 quadrupled the previous average production of gold. Notwithstanding, in 1717, when this inundation, as one may call it, was at its highest level, the value of gold remained the same as in 1650, namely 1 to 15. This proved that towards the middle and the second half of last century, the production of the new silver mines, and especially those at Biscaina, Sombrerete, Catorcia, and Valenciana in Mexico, enormously increased, and that, nevertheless, the value of silver as compared to gold was, in England, almost uniformly higher than in 1717. These extraordinary circumstances in the history of the precious metals induce us and authorize us to conclude that there is no use in wishing to estimate the relative value of gold and of silver by making comparisons between the quantities of one or the other metal which are produced."

The variations of production are also much less to be feared with the bi-metallic system than with the mono-metallic, because the production of the two metals taken together at the valuation of $15\frac{1}{2}$ rises annually to about 33 millions of pounds sterling, but with considerable fluctuations from one year to another in the respective production of gold and of silver. It is also necessary to remember that statistics of value with regard to the production of the mines is impossible as soon as the legal proportion, which is the common denominator between the two metals, is suppressed. If, however, we were condemned to mono-metallism, if it was necessary to choose one of the two metals, the choice would not be doubtful. It is silver which ought to be chosen; the amount of gold which exists is too small, and gold is too difficult to divide, for it ever to become universal money.

It is true that silver has been found fault with in many ways. M. Broch says that it is too heavy, too cumbrous, and that it

inspires a general repulsion to the public. Without doubt, silver is too heavy, and gold is equally so. The bi-metallists, therefore, neither wish to saturate the circulation with this metal, nor to coin a single piece of 5 francs above the present amount; their only aim is to restore to silver its former monetary dignity, in order that it may be able, in the same way as gold, in the state of ingots, to remain in the vaults of the banks as a guarantee for the notes in circulation. It is in this way that formerly the banks of Hamburg, Amsterdam, Genoa, and Venice, operated. It is thus that even now England, Scandinavia, and America act with regard to gold. M. Broch considers that gold ought to be the money of civilized countries, and that silver money should be that of people less civilized. Can India be considered uncivilized? And if it became civilized to the extent desired by M. Broch, and it acquired the right to gold mono-metallism, what would it do with its silver rupees? Let us note in passing that India had always been bi-metallic, and that it is only the English law which rendered it silver-mono-metallic. The great danger of a vast Bi-metallic Union would be, according to M. Broch, in the settling accounts whenever the bi-metallic part should end. This is a mistake. The international rate of 15½ does not require a reciprocal currency of coin in the way in which it prevailed, in a certain degree, within the Latin Union. The case of settling accounts cannot occur. As regards the case of war, which has also been spoken of as a reason for fearing that one of the states might withdraw itself from its bi-metallic engagements, the reply is easy. No state has any interest in demonetizing a metal; it would itself lose by it. The example of Germany is quite convincing in this respect. If we once establish the rate of 15½, it will live all alone of its own vitality. The arguments of M. Pirmez are more difficult to appreciate; for he reasons sometimes as if gold and silver were only commodities, and sometimes as if gold had monetary rights which silver does not possess. It seems, however, that if gold and silver are commodities, the logical conclusion ought to be, not to have gold money to the exclusion of silver money, but rather not to have any money at all.

M. Pirmez speaks of the preference given to gold over silver, on account of the qualities of the former metal. How can we thus explain this preference, when it is stated that money is made not to be kept, but to circulate; when it is certain that if

the public employs money, it is not in order to possess a certain weight of the metal, but rather to have a legal monetary unit of which it knows the power beforehand, this power being equal for the two metals, the one or the other is accepted or expended indifferently. It has always been so in the States of the Latin Union. It is no doubt true, as M. Pirmez says, that documents and arbitrations play a great part in the regulation of international accounts. Without doubt, the banking houses are, as it were, permanent chambers of compensation; but if settlements are not made immediately, it is none the less true that they are made in the end. The debtor nation must necessarily acquit itself with regard to the creditor nation, and it is at that time that metallic money is exported. If we now suffer from an excess of silver, it is because silver has been outlawed, it is because it has no longer the character of international money, it is because silver is, so to say, blockaded in each of the countries, where it now is without power to cross its boundaries. All that the bi-metallists propose is to re-habilitate it, to raise the blockade, and to make it, by a clause in a law, as by the blow of a wand, the equal and the equivalent of gold. We do not talk of increasing the quantity of silver; we only wish to render movable the silver which now exists. How can we admit that the Bank of France finds no inconvenience from having its reserve composed for the greater part of a metal which cannot try to pass the frontier without encountering on all sides a kind of monetary quarantine established by the foreign powers. The pieces of 5-francs are in reality only a paper money with a metallic ring. We cannot understand how M. Pirmez, who refuses silver, maintains that the crowns of the bank are a good guarantee for the notes which the bank issues. Facts disprove M. Pirmez's assertion that gold will return to Europe from the United States. We see at present the countries with a forced currency—Russia, Italy, Austria-Hungary—continuing to want gold. It is not sufficient to have an urgent need of the metallic money in order to procure it; it is necessary to have a favourable commercial balance; it is necessary to be a creditor of the foreign power, or to borrow from it. According to these principles it is impossible to deny that Europe must be more and more liable to see its gold cross the Atlantic. The United States are convinced of it, and, nevertheless, they now propose the adoption of international bi-metallism. After numerous variations of opinion, after frequent changes of legislation, the

great American Republic has now frankly adopted the bi-metallic system. The inaugural discourse of President Garfield, pronounced on the 4th March last, leaves no doubt in this respect: "By the experience of commercial nations in all ages, it has been found that gold and silver afford the only safe foundation for a monetary system. Division has recently been created by variations in the relative value of the two metals; but I confidently believe that arrangements can be made between the leading commercial nations which will secure the general use of both metals. Congress should provide that the coinage of silver now required by law may not disturb our monetary system, by driving either metal out of circulation. If possible, such an adjustment should be made that the purchasing power of every coined dollar will be exactly equal to its debt-paying power in all the markets of the world." This address says clearly that the Bland Bill is bad; that the limited coinage of silver so long practised by France with such great losses is a dangerous system; it puts aside all the expedients proposed in former administrations, such as, for example, the increase of the weight of the dollar; it recognises clearly that the true and only means of restoring to European silver its value in America, and to American silver its value in Europe, is the reciprocal and simultaneous resumption of the coinage of silver on the two sides of the ocean. It is under the inspiration of this idea that the French and American Governments have convoked this Conference. In calling it together they have not been influenced by any of the after-thoughts which M. Pirmez supposed. The United States are not thinking of flooding Europe with the produce of their silver mines. France is not considering how to rid itself, to the detriment of the United States, of the mass of silver which is now in the vaults of the Bank. The aim is on both sides more simple and perfectly avowable. France wishes to rehabilitate silver in order to be able to pay indifferently with gold or with silver the excess of its importations from the United States. America desires to facilitate the re-entrance of European silver into universal circulation; because she is a creditor of Europe, and it is a good policy for a creditor to aid its debtor to increase his solvency. If bi-metallism, which has already been adopted by the Governments of France and of the United States, receives the adherence of all Europe or of the greater part of Europe, it will perform its functions as it did in France before the suspension of the unlimited coinage of silver. From 1878 I

have described in these terms the play of French bi-metallism: "Up to 1874 a clear and sonorous voice never ceased to re-echo on the banks of the Seine. It said, 'I am France, rich in gold and rich in silver. I can cause both these metals to be money throughout the whole world. Peoples and nations bring to France all the gold and all the silver which you wish: I will take all. For a quintal of gold, for 15½ quintals of silver, I will always give you the same quantity in francs. Whether the production of one metal or of the other may be more abundant or more expensive, I shall be indifferent to it; I shall never change my rate of 15½.'"

Such has been in fact, during many years, the situation of France. There could have been no stronger or safer position. With its unchangeable law of 15½, it was for the producers of gold and of silver, the great agent of monetary manufacture, a kind of international mint, where the two metals came to seek for coinage in a relation which was on certain conditions both constant and invariable. With regard to foreign nations, France played the *rôle* of an international money-changer, amply provided with gold and with silver, and ready to furnish the one or the other to its clients; that is to say, to the mono-metallic countries, to those who, having only one of the two metals in circulation, might at any given moment have need to procure the other metal from outside. Sometimes she delivered silver to England to send to India; sometimes she delivered gold to Hamburg against silver, so that silver mono-metallic Germany might pay to gold mono-metallic England; but she always delivered it to those who knew how to ask for it, that is to say, who paid a premium above the par of 15½; she gained thus on both sides.

To regret that the Latin Union did not follow the advice of Belgium in 1865, and become mono-metallist, is to regret a chimæra which cannot be realized; but if the measure had been possible, its adoption would have compromised, and not served, the interests of the Latin Union. In fact, a state, while seeking to get rid of a metal, in order to inundate its neighbours with it, injures itself as much as them; by rendering their payments more difficult, it prepares its own impoverishment. It violates the economic law which lays down that the monetary metal should be a citizen of the world. The very recent example of Germany proves, besides, how very difficult it is to get rid of one's monetary metal. If Germany was able to get rid of only a

part of the silver which she possessed, and that with great trouble and loss, the reason was that she had by her side, at least during the first years of the operation, the outlet of the Latin Union, and that the United States were about to substitute silver pieces for their paper subsidiary money. The demonetization of silver in Germany has coincided with a coinage of 500 millions of francs [£20,000,000] in this metal by the Latin Union, and of 70 millions of dollars [£14,000,000] of subsidiary money in the United States. The employment of the German silver being profitable, all the world wished to profit by it; and even Switzerland, notwithstanding its repugnance for silver, coined during the first year of the German demonetization 10 millions of francs [£400,000] in silver, and realized thus a gain of several hundred thousand francs.

M. Lardy (Swiss Delegate) observed that this profit did not figure in the current receipts of the Federal budget, but that it was purely and simply paid into the funds of the reserve of the mint. Besides this, Switzerland did not coin more than 8 millions in crowns of 5 francs in 1875 (and not in 1874), on a total sum of more than 30 millions.

M. Cernuschi: It would have been impossible for Germany to push as far as she did the operation of demonetization if the Latin Union had not lent her help; for the Latin Union, having suspended the coinage of silver in 1878, Germany was obliged to cease its sales of silver from 1879. How, then, could the Latin Union, if it tried in its turn to demonetize silver, manage to make the operation a success? How could she have done so, even in 1865, if she had, according to the advice of Belgium, pronounced for gold mono-metallism?

England has been affected by the fall in silver, and she has searched for the causes of it by means of a great enquiry directed by Mr. Goschen. According to the conclusions of this enquiry the fall of silver has had no less than four causes: (1) the German cause, that is to say, the demonetization of silver in Germany; (2) the French cause, that is to say, the limitation of coinage in the Latin Union; (3) the American cause, that is to say, the increase of production of the silver mines in the United States; lastly, (4) the Indian cause, that is to say, the reduction of the demand for coin on the part of British India. The declaration of the German Government is very explicit in this respect; it recognizes that if the first of these causes had not occurred, silver would not have

fallen. Thus a single great European country has tried to become gold mono-metallic, and the result of that attempt has been a serious loss for that country, and a grave uneasiness for all others. This has been the consequence of a partial success of gold mono-metallism. What then would be the consequence of its general triumph, if we supposed this possible? We begin to see it in France, as in foreign countries. Against the almost unanimous hostility of the economists who constitute the section of Political Economy in the Institute, bi-metallism sees in France from day to day the number of its adherents increasing. It is sufficient to quote among the most considerable, the President of the Senate and the illustrious savant* who is in this Conference one of the Delegates of the French Government. Beyond the frontier of France bi-metallism also gains ground. Even in a Scandinavian State, the Director of the Bank of Sweden elaborates a project which is almost bi-metallic, and prepares a model of an international coin composed of the two metals. It is a system of which I do not approve; but it shows bi-metallic tendencies. Austria has made to the Conference a declaration full of sympathy for bi-metallism, and Hungary, according to its Delegate, M. de Hegedus, is about to adopt this doctrine. Germany herself states that her interest is in favour of the re-habilitation of silver, and that bi-metallism is necessary for the world. Italy, whose economic sufferings are evident and who wishes to honour its financial engagements, demands with impatience the consolidation and the extension of the bi-metallic system. In India the uneasiness is profound, the desire to arrive at bi-metallism is not less strong. On the 17 millions and a half of pounds sterling which the Indian Government has to transmit annually to England it has lost in the last year on account of the fall in exchange more than three millions of pounds sterling, or, to speak more exactly, more than 30 millions of rupees.† Indian commerce suffers in proportion. We must, therefore, not be astonished at the cries of distress which come from India, of the uneasiness which the Government of that vast empire feels, and which have found their most vivid expression in a remarkable Memorandum of the

* M. J. B. Dumas, Member of the French Academy.—A. C. T.

† This loss is stated by Mr. R. B. Chapman as Rs. 2,44,00,000 in his memorandum of 2nd June, 1880. *See* Appendix I. to this sitting, p. 136.—A. C. T.

Director of the Indian Finances, Mr. Chapman,* in which bi-metallism is represented as the only possible remedy. (*See* Appendix I. to the present proceedings.) The complaints of India are echoed in England—the Chambers of Commerce, the Manchester, Liverpool, Birmingham, Glasgow, and London merchants, the great Oriental banks, and all these clients appointed from India, are becoming partisans of bi-metallism. Their grievances are, however, not heard by the British Government, which seems to be insufficiently informed with regard to the present situation. They say that England has shown herself egotistical in this question; I consider rather that she is blind and insufficiently enlightened with regard to her true interests. I do not know if I deceive myself, but it seems to me that if the English and Indian delegates would consent to reply to different requests for information which we shall have to make them, if they would be good enough also to keep their Government exactly informed of what passes here, we might hope to triumph over the prejudices which still prevail in official circles in London.

To sum up, the commercial and financial world is, on account of the monetary situation, in a state of undeniable uneasiness. This uneasiness would transform itself into acute suffering if mono-metallism were persisted in. Mono-metallism feels this so strongly that it now limits its pretensions to the maintenance of the *status quo*. It has no right to do this. If its doctrine is a true one, it ought to follow out the application of it; but if it stops, if it is the first to demand that the silver metal already coined should preserve its legal currency and its legal tender power, it is no longer anything but disguised, halting bi-metallism. We must attain real and sincere bi-metallism. It is possible for four, or for three, or even for two States—the Bi-metallic Union would be sovereign in the world, if it only included the United States and France. The thalers, which can neither be imported or exported, have a forced currency at the rate of three marks each. Let us suppose them withdrawn and replaced by paper marks. The union of two nations would buy all these thalers at a price to be discussed. It would take delivery of them, and would pay them in gold in four years or sooner, at their choice. The

* Mr. R. B. Chapman, Financial Secretary to the Government of India. Both M. de Lavelege and Sir Louis Mallet agree with M. Cernuschi in considering this Memorandum of Mr. Chapman as one of the ablest expositions of the bi-metallic theory which has yet been written.—A. C. T.

United States having opened their mints to the free coinage of silver, and being creditors of Europe, could not send to Europe an ounce of this metal. Nothing but Mexican piastres would therefore arrive in England. England would continue just as at present to export these piastres to Singapore, to Canton, to Shanghai, and to Yokohama, to pay for what she owes there; and how, then, could England manage to pay India, whose balance of commerce is almost always favourable? Not a bar of silver would be imported into London. She would be forced to ask us for German thalers, after that for pieces of 5 francs and silver dollars, and to pay us a premium; that is to say, to give us more than one kilogram of gold in order to receive 15½ kilograms of silver. Germany herself would be embarrassed if she had to make payments in Asia. We have been told that her commercial relations with England make it a law for her to have only gold money. But when a nation is bi-metallic, has it no gold? Has bi-metallic France not had all the time commercial relations with England? We see then that Germany has every interest in joining in the Bi-metallic Union with France and the United States. In this case it would be England alone which would suffer in this isolation. If we were inspired with selfish thoughts, if the nations which have taken the initiative in this Congress wished to obtain an advantage at the expense of other people, we could only press her to persist in this resolve; but it is not so. The idea which inspired the summoning of this Conference is the ardent desire to make the whole world profit by science and by truth. It is from this motive that France and the United States persistently urge Great Britain to take a part in the constitution of a vast Bi-metallic Union.

M. Seismit-Doda (first Delegate of Italy) wished to remark that the replies of the British and Indian Delegates to the requests for information which M. Cernuschi had announced the intention of addressing to them, might exercise a great influence on the progress of the discussion; it would therefore probably be useful if those questions were put at once by M. Cernuschi—say at the beginning of the next sitting.

Lord Reay (Delegate of British India) expressed a desire that the questions which M. Cernuschi proposed to address to the English and Indian Delegates should be given in in writing.

M. Cernuschi replied that he would take note of the wishes expressed by M. Seismit-Doda and by Lord Reay.

Count Küfstein (First Delegate of Austria-Hungary) wished merely to speak with regard to the position of Austria-Hungary in the question. It had been said that those countries which only had paper-money had the greatest interest in being represented in this Conference. He was far from denying it. They all had the greatest interest in it, and he might even go further and say that the countries with a single gold metallic currency or with a silver and gold currency had a more direct interest in the work of the Congress, and in the results at which it might arrive, than even the paper countries had; for they were able to accept at once the results, if they considered them useful to their interests, while the latter were stopped by the financial question which overpowered the monetary question, although only in this sense. Paper-money countries were, therefore, further separated from the practical results of these discussions than the countries which had the happiness not to be restrained by the financial question, and which had not only the theoretic liberty, but also the practical possibility of choosing according to what their interests prompted, the gold standard or bi-metallism. It was evidently quite legitimate that each country should consult its own interest in a question so important for their national welfare; but it was necessary to ascertain what was the true interest of the country. Could it be absolutely circumscribed within the more or less wide limits of its own frontiers, or did it not consist also, in a great part, in its relations with foreign nations? They were all convinced, and their presence at this Congress proved it, that all the world had recognized this latter truth, that no country could long remain isolated any more in an economic matter than in a political matter, and especially not with regard to the question which now occupied them. The more the means of communication and of exchange increased, the more would the shocks and even the regular changes which happened in one country have their corresponding effect in other countries. It was, therefore, above all a general humanitarian interest which had united them, and (with this aim) the examination of the question of how the interests of each country could be reconciled with this great interest of humanity. Although no practical result had been arrived at, it would seem that the first step on the road had been made, for the disposition of each Government had been ascertained and the possibility of certain concessions had been proved.

M. Cernuschi had mentioned that a mono-metallist* tendency began to show itself in Hungary. He could add that it also existed in Austria, where many of the leading newspapers preached with ardour the cause of mono-metallism.* If they strongly desired to see the generous intentions which united them here succeed, it was not at any rate with a limited interest, but in the interests of all the world. It was clearly for the general interest of the world that the countries with paper-money should enter into the great family of the countries with an assured metallic circulation. The operation which was about to take place in Italy, therefore engaged their sympathy, not only because it would be useful to Italy, but because it was believed that it would serve the general interest; and it was certain that the efforts which Austria, Hungary, and Russia, would some day make, would be equally accompanied by the sympathy of other nations, and would equally serve their interests. M. de Thörner has shown us clearly the amount of the precious metals which would be absorbed by these great outlets; but in order that silver might be received by them, they ought not to begin by depreciating it more and more. A distinction had several times been made between civilized people and nations less civilized who might content themselves with silver. These 155 millions of men who considered themselves to belong to civilized people, would refuse a metal which the rest of the world did not wish for, and would not content themselves with a debased circulation. There would, therefore, be a great risk of rendering it impossible for these countries to accomplish their reform, a reform to which they now tended, and which would no longer be a benefit when it only served to open the doors to a metal rejected by other nations. It was not known when this reform could be accomplished, and the question which now occupied them was too urgent to be postponed to this date, which was unfortunately uncertain. When one day this great outlet of 155 millions of souls should be opened, that would certainly exercise a great influence on metallic circulation; but up to that time what *rôle* would be assigned to the milliards [of silver] which would only be necessary in an indefinite future? The question of the future must therefore be left out, and the practical question of the moment must

* These words are printed "mono-metallist" in both places in the original, but it would seem to be a misprint for "bi-metallist," as M. Cernuschi said distinctly that both Austria and Hungary were becoming bi-metallist. *See* ante, p. 123.—A. C. T.

be attended to, which was to know how from this time silver could be rehabilitated. In this sense the Delegate of Russia had made proposals which seemed sufficiently practical, with regard to the withdrawal of the pieces of 5 and 10 francs in gold. He hoped that, joined to the other proposals which had been made, these would lead to a practical result—at any rate, for some States—for, even if these generous efforts ended in no result as regards Austria-Hungary, they would be, however, happy that other countries should attain them, and would be proud to have assisted at the birth of such a work.

M. de Thörner (Delegate of Russia) remarked that the suggestions which he had submitted to the Conference in the last sitting, and to which the first Delegate of Austria-Hungary had just referred, were not, to speak properly, formal proposals. It did not become the Russian Government, which was still reduced to the use of paper-money, to take such an initiative. He had, therefore, only intended to give some hints in his own personal name.

Count Kufstein replied that he had understood it entirely in this way.

The Chevalier A. de Niebauer (Delegate of Austria) wished to make some observations with regard to the fact mentioned by the first Delegate of Austria-Hungary. It was certain that two years and a half ago the depreciation of silver in London, combined with the fall of exchange in Vienna on London, had caused such a mass of metal to flow into the Austrian Mint, that the Austria-Hungarian Government could, if it had wished, have resumed specie payments in silver alone. They had been advised to do so, but they had refused; they had preferred to close their mints to the free coinage of silver. It would be impossible to re-establish a metallic circulation on the basis of silver alone. Gold was indispensable. But on the other side it did not appear that it was, as mono-metallists said, furnished by nature in a sufficient quantity to satisfy all needs. A learned German geologist, M. Suess,* stated that the principal deposits of gold were not found in mines, but in alluvial deposits, and that these alluvial deposits were rapidly disappearing. This statement seemed to be confirmed by the lively apprehension which the Italian loan of 600,000,000 [£24,000,000] inspired in

* *See* Ed. Suess, "Die Zukunft des Goldes," Braumüller. Wien, 1877; and my note on p. 87.—A. C. T.

the financial world, and which was to be two-thirds in gold. If the prospect of the transfer to Italy of a quantity of coin, relatively so small, now caused so much fear, what would it be when not only Italy, but also Austria-Hungary and Russia resumed specie payments. He appealed to the judgment of the Conference. It would hardly fail to recognise that no power could either act in isolation or could do without a standard which had an international value.

M. Moret y Prendergast (Delegate of Spain) thought that at the point which the debate had reached, the proposal for adjournment which he had made in the Second Sitting of the Conference might usefully be brought forward again. He asked the Conference, therefore, to decide to adjourn, after having heard the speakers who had entered their names to take part in the general discussion.

Baron Thielman (First Delegate of Germany) supported the motion of the Spanish Delegate.

Mr. Evarts (First Delegate of the United States) announced that the American Delegates had yet several considerations to present in the general discussion.

The President reminded them that in the Second Sitting the Conference had decided that it would proceed not only with the general discussion, but also with the discussion of the list of questions, and that it could only be after the closing of this debate that they could vote on the proposal of adjournment made by the Spanish Delegate.

After some remarks by M. Cernuschi and M. Denormandie, the Conference suspended all decision on the proposal for adjournment, and simply postponed the discussion of the list of questions to Saturday, the 14th of May, at 1.30 p.m.

The Sitting ceased at 5.30 p.m.

APPENDIX I.

MEMORANDUM ON AN INTERNATIONAL BI-METALLIC STANDARD MEASURE OF VALUE.*

1. THE Honorable the Financial Member has invited me to place on record the views which have, after long study, been forced upon me by an ever-present sense of the danger, to which, not only the finances, but all the domestic interests of British India are exposed, so long as the chief national standards of value are in their present isolated and unprotected condition.

2. The importance of this matter is, indeed, such that it can seldom be absent from the minds of anyone engaged in the financial administration of British India. The question does not, just now, assume so urgent an aspect as it has sometimes

* This Memorandum was forwarded by the Government of India to the Secretary of State for India, with minutes by the Viceroy (Earl of Lytton) and the Financial Member of Council (Sir John Strachey), in which they expressed their agreement with Mr. Chapman's views. Lord Lytton said "I am under a very strong impression that even if a convention could be concluded between India, the Latin Union headed by France and the United States of America, for the common and simultaneous adoption of a bi-metallic standard, fixed at a just and reasonable value, Germany would probably be compelled ere long to come into it; and that in any case, the finances of India would be immensely benefited by it." He also added, "It would in my opinion be of such unquestionable, and quite incalculable financial benefit to India to enter into any monetary convention with France, America, and Germany, for the common adoption of a bi-metallic standard, and the prospects of such a possibility seem . . . . . to be so much more hopeful than they were . . . . . that I would strongly urge the expediency of at once forwarding to the Secretary of State Sir J. Strachey's Minute, together with Mr. Chapman's Memorandum on the subject."

Sir John Strachey said, "There is, perhaps, no one living who has given to this subject more careful attention than our Secretary, Mr. Chapman. He has written a Memorandum embodying the results to which his investigations have led him, and I propose that this paper which appears to me to be a very valuable contribution to the stock of knowledge on these questions, should now be submitted to the Secretary of State. Although I

done, and as it may do again any day; but, in some respects, this makes the occasion only the more suitable for its discussion.

Distinction between a standard and an instrument of exchange.

3. In dealing with this subject, it is necessary to bear clearly in mind the distinction between the use of any substance as a standard measure of value and its use as money, that is to say, as an instrument for the transfer of value measured by such a standard. Money may be represented by various instruments possessed of no intrinsic value; and value is, for the most part, actually transferred by means of such representative instruments, as bank or currency notes, bills and cheques, or, even, without the intervention of such instruments at all, by entries in bankers' books and at clearing-houses. All such devices are independent of the standard measure of value itself, which is, by the hypothesis, fixed, and can only be altered, by legislation.

Distinction between substantive and representative money.

4. It is, also, important to distinguish clearly between money proper—which must be made of the substance of the standard itself—and the various devices employed for representing money. Money proper of the substance of the standard, alone, possesses an original, inherent, and intrinsic legal-tender force, *vis liberatrix*, or, as the French call it, *force libératoire*. The various representative expedients have only a derivative *vis liberatrix*

do not ask the Government to express any judgment on Mr. Chapman's Memorandum, I may say, for myself personally, that I believe the main conclusions stated by him to be sound. The evidence seems to me to be complete, that the action of the French monetary law under which the coinage of gold and silver was not restricted, and under which standard coins of both metals, at a fixed ratio of one to 15½ between gold and silver, were made legal-tender for all payments, had the effect, for a long series of years, of maintaining a practically steady relation of value between the two metals; and that this state of things was only disturbed at last by the demonetization of silver in Germany, and the virtual closure against silver of the mints of the Latin Convention. If a bi-metallic standard, such as that of France were adopted by a sufficient number of nations, there seems to me no room for doubt that a virtual fixity of ratio of value between gold and silver would be again established in the future, unless the relative production of the two metals should vary much more in amount than past experience leads us to anticipate. That England should consent to alter her existing systems of currency cannot be expected; but I believe, with Mr. Chapman, that when we see how effectual was the action of a single nation, France, it cannot be doubted that an international union between America, France, Germany, and India, would be sufficient to secure the establishment of that common standard of value which we desire to obtain."—A. C. T.

possessed in virtue, not of any inherent quality of their own, but solely of their convertibility into money proper. Hence, money proper is alone capable of permanently storing value, and of transporting it from one place to another. Bills of exchange cannot do this, they only set off value existing in one place against value existing in another place.

Value of material of standard. Object of a standard, and of money.

5. A sufficiently general and permanent adoption of any substance as a standard measure of value, by ensuring its employment as money, and so for hoarding, greatly enhances its value; but any confusion between the objects and attributes of a standard measure of value and the objects and attributes of money, whether real or representative, must involve the erroneous treatment of any problem regarding such matters. The object of a standard measure of value is to regulate all contracts subject to the standard, expressed in money; money and the various devices representing money are only the instruments by which value is hoarded, transported, or exchanged, according to the standard.

Instability of existing standards.

6. Every civilized nation, at present, uses for its standard measure of value, either silver or gold, or some combination of these two metals; and, as the value of these metals themselves depends immediately, almost wholly, upon their employment as standard measures of value, and, therefore, as money, the substitution of one for the other by any important community inevitably enhances the value of the adopted metal, at the expense of that of the rejected metal, and thus, by a double effect, disturbs the relations between the two metals. Moreover, apprehensions that such a substitution by one community may lead to similar substitutions by other communities, are likely to intensify its opposite effects upon both metals.

Causes of their recent disturbance.

7. There is not now, it is believed, any doubt (1) that the long-standing equilibrium between gold and silver continued till 1873 generally, because whilst it prevailed no considerable change took place throughout the world in the several nationa-

standards of value, and, specially, because the French Monetary Law of 1803 provided for the constant optional interchange of the two metals at a fixed ratio; or (2) that the disturbance of that equilibrium since 1873 is the consequence of the substitution of gold for silver as the standard measure of value in Germany, followed by the closure of the Mints of the Latin Convention to the less valuable metal, and the withdrawal of the optional interchange of the two metals heretofore allowed within the jurisdiction of that Convention.

Conclusions in 1876 that the value of gold, and even silver, had risen.

8. Appended to the Resolution of the Government of India in the Financial Department, No. 3,044, dated 22nd September, 1876, are statistics* of the course of wholesale prices of certain typical commodities measured in gold and silver, before and after the disturbance of the equilibrium of gold and silver in 1873. In the 19th paragraph of that Resolution the Government of India stated that those prices indicated that gold had, till then, risen in value since the equilibrium of the precious metals had been disturbed; and that there was, at that time, no evidence that silver had fallen in value either in India or even in London.

Subsequent phenomena.

9. In an Appendix to the present Note, the prices and values of the commodities then quoted for April, 1876, are compared with their corresponding prices and values in December, 1879, being the latest figures at hand for both India and Great Britain. There has been a reaction in some of the prices quoted in India, which appears to be chiefly due to the recent unfavourable seasons; but in only nine† of the eighteen examples quoted are the values of commodities measured in silver, even now, higher than they were in March, 1873. It is unnecessary to examine these phenomena further in detail, because little could be added to Mr. Robert Giffen's able analysis of wider facts of the same character, in his paper read before the Statistical Society on the 21st January, 1879, and

* These are contained in an elaborate Note by Mr. Chapman of 43 pages folio. Extracts from this will be given in the Appendices to this volume.—A. C. T.

† In England: Beef, sugar, and saltpetre; and in India: Spelter, hides, jute, rice, linseed, and wheat.

printed at page 36 of the Society's Journal for that year. Since that date, however, there has been a decided rise in prices; in other words, a decided fall in the value of both metals.

Confirm the conclusion of 1876.

10. There appears to be no room, now, to doubt the correctness of the conclusion which the Government of India announced more than three years ago, or that it is still true, that the value of gold has rather risen than fallen since 1873, and that, contrary to general expectation and popular belief, the value of silver has also risen, and has not, even yet, fallen; in short, that of the five possible causes, to one or other of which the Government of India said, in the 6th paragraph of the Resolution of September, 1876, that the disturbance of the equilibrium of the precious metals must be due, the first is, as yet, still the actual cause, namely, *while the value of both metals has risen, the value of gold has risen more than that of silver.*

This conclusion is confined to the facts apart from their causes.

11. This conclusion is one of fact only. It would, indeed, be folly to base any action upon such facts without first forming a judgment upon the influences which have produced them, in order to an opinion, especially, whether these influences are permanent or only temporary. But it is essential to a profitable and practical discussion of the present problem, not to confound the comparatively simple question whether the value of the precious metals has or has not risen or fallen, with the complex question what influences may have produced either result. Regarding these influences, there are likely to be almost as many opinions as there are men; and an answer to the question whether they will operate permanently or only temporarily, may be difficult, and can never be more than a mere opinion. But an answer to the question whether, as a matter of fact, prices have, on the whole, risen or fallen—in other words, whether the value of gold and silver has increased or decreased —is comparatively easy; and it is only with the facts, and their consequences, that we are, in the first instance, concerned.

Fall of value of one commodity implies rise of that of its correlative.

12. It is strange that such phenomena should be frequently discussed, even by experts, as if an increase in the value of any

commodity relatively to the rest of commodities as a whole, could be attributed to a fall in the value of the body of the commodities to the exclusion of the conception of a rise in the value of the excepted commodity. It is surely as inconceivable that the value of one commodity should decrease relatively to that of another without a correlative increase in the value of the commodity compared, as that one scale of the balance should fall without the other rising.

Values of silver and gold still higher than in 1873, but future of silver still doubtful.

13. Whatever, then, be the influences which have produced the present phenomena, and whether these phenomena may be expected to endure or not, it seems impossible, in the meanwhile, to dispute that the general range of both gold and silver prices are still lower; in other words, that the values of both those metals are still higher than they were in 1873.

At the same time, as it is impossible to foresee the extent to which pressure may be further transferred from silver to gold, no one can feel at all confident that silver will keep the value it has hitherto maintained, or even that fresh events—such, for example, as the final demonetization of silver by France—may not, as pointed out by the Government of India in paragraphs 36 to 38 of its despatch No. 368, dated 13th October, 1876, make the retention, by any civilized state, of silver as its standard measure of value difficult, if not impossible.

Loss to India from enhancement of her fixed gold obligations, about $2\frac{1}{2}$ crores of rupees a-year.

14. It seems clear then that the loss to British India consequent upon the phenomena under discussion, is to be attributed as yet, specifically to the rise in the value of gold and the concomitant enhancement of the obligations of British India fixed by the gold standard. The amount entered under the adjusting head loss by exchange,* in accordance with the present system of the Indian Finance and Revenue Accounts, is not the measure of that enhancement, which cannot be ascertained by a comparison with the conventional par of R. 1=2*s.*, and must be reckoned only upon the fixed portions of the disbursements from

* In the accounts of the Government of India as submitted to Parliament.—A. C. T.

the Home Treasury. Thus calculated, this enhancement does not probably as yet, exceed 2¼ crores of rupees* a-year, which sum may be taken as a full estimate of the loss to British India from the disturbance of the equilibrium of the precious metals which existed in 1873.

Considerations affecting this estimate.

15. But it must be remembered, on the one hand, that this estimate is confined to the consequences of the increase of the value of gold in excess of the increase in the value of silver, and does not include the loss due to the rise which is common to both metals; and, on the other hand, that although owing to the metals being linked together through the French monetary law there was no disturbance of their relative values, and so the fact received comparatively little practical recognition, yet there is no doubt that in consequence of the gold discoveries in California (1848) and Australia (1851), the values of the precious metals were, in 1873, still abnormally depressed. Their present values will probably prove to be more permanent than their values in 1873.

Chief item of loss to India.

16. The chief item of loss to British India is due to the fact, that during the period (1850-1873) when the value of the precious metals was so abnormally depressed owing to the gold discoveries, that the general standard measures of value were perhaps 25 per cent. below their usual range, India borrowed for the suppression of the Mutiny and the construction of railways, 164½ millions sterling, on which India must continue to pay interest at the covenanted rates, by standards which have nearly, if not quite, recovered what will probably be found to be their normal values. The burden has, however, been miti-

* This estimate is thus made:

	£
Net yearly obligations of the Home Treasury Fund fixed in sterling, about	111,750,000
Equals, with silver at	Rs.
50*d*. an oz. (exchange about 1*s*. 7*d*.) . .	14,66,00,000
60*d*. an oz. (exchange about 1*s*. 11*d*.) . .	12,22,00,000
Loss upon the assumption that the fall in the exchange is due exclusively to a rise in the value of gold	2,44,00,000

= £2,44,00,000 at 2*s*. = 1 R.

gated by the subsequent reduction of the rate of interest on most of these loans, excepting some of the guaranteed railway loans; and it cannot be confidently assumed either that India would have been able originally to borrow on the same terms, if the range of the standard measures of value had not been depressed, or on the other hand, that the subsequent reduction of the rates of interest upon those loans would have been possible, if there had been no intermediate recovery of the values of the precious metals.

Advantages expected from international bi-metallic standard.

17. The grounds upon which it is considered that British India would be benefited by the adoption of an international bi-metallic standard measure of value may now be discussed. Two practical advantages are anticipated from the adoption of such a standard by all nations or even by the leading commercial nations:

Firstly.—Fluctuations of exchange between the moneys of different countries would be confined within narrow limits.

Secondly and principally.—The standard measure of value would gain immensely in that stability which is, above all things, to be desired in a standard.

Fluctuations of exchange.

18. Speaking first of fluctuations of *international exchange* it is unnecessary to dilate upon the inconvenience which they cause to trade. Possibly, indeed, this inconvenience may sometimes be over-estimated; for the direct effect of a fluctuation is confined to engagements already contracted and in course of fulfilment; it can only affect subsequent transactions by inducing apprehensions that renewed fluctuations may vitiate the calculations upon which they are undertaken. Not only, however, are such apprehensions often sufficient to paralyze trade, and not only must repeated fluctuations cause serious and unmerited losses to honest traders, but, which is perhaps worse, uncertainty as to the international exchanges introduces an avoidable element of speculation injurious to sober, prudent and honorable, and therefore permanently profitable, commerce.

Their main cause. Advantages of their elimination should not be overrated.

19. Fluctuations of exchange between two countries must be mainly due to variations in the standard measures of value of one or both countries. If two countries use one standard measure of value*—whether they use the same unit or not is a matter of little importance—the fluctuations of the exchange between them cannot exceed the narrow limits of the cost of transporting the material of the standard from one country to another. Such stability of exchange is a considerable advantage; but it is important not to exaggerate its scope, or to forget that fluctuations of international exchange might be, thus, almost wholly eliminated, not only without any improvement of the stability of the common standard measure of value, which is its only indispensable attribute, but even with a simultaneous deterioration of that characteristic.

International bi-metallic standard existed under French Law of 1803.

20. The International bi-metallic standard measure of value actually, to a great extent prevailed throughout the whole world as long as the French Monetary Law of 1803 was in operation. This truth may not even yet be generally recognized; but it is indisputable that so long as gold and silver were freely interchangeable in France at a fixed ratio, that ratio necessarily governed the relations of the two metals, and therefore the value of each throughout the world. The sole gold standard of England and the sole silver standard of India were alike wholly subject to the influence of the French Laws, and not as has been supposed, independent of it; the values of England's gold and India's silver were absolutely controlled by the French Law.

Its effect upon the stability of exchange.

21. Doubtless that law could only operate freely and fully while France possessed sufficient stores of both metals. Before the gold discoveries of 1848 and 1851, the French Monetary Law had ceased to maintain the value of silver measured in gold, which commanded a small varying premium; and, had the gold

* Of course the conditions on which standard money can be coined in the two countries must be stable. It is not enough that the same substance should be used, the mint conditions must be invariable.

discoveries of California and Australia been repeated conversely as her silver stores were exhausted, the French Monetary Law would have in like manner ceased to maintain the value of gold measured in silver. But this only shows that the demand for metallic, that is, intrinsic money, in France alone, great as it is, is not sufficient to maintain such a law permanently under all circumstances, and must not be allowed to obscure the fact that the French bi-metallic law alone did confine fluctuations in the relative values of gold and silver throughout the civilized world for three-quarters of a century within narrow limits.

Bi-metallic standard not essential to stability of exchange.

22. In theory, however, the bi-metallic standard of value is not in any sense indispensable for the elimination of all avoidable fluctuations of exchange. Manifestly the same result would be attained by the use of any other common standard—say, for instance, either gold or silver. In order that there may be no substantial fluctuations of exchange between two or more countries, the one and only thing needful is that they shall measure value by one standard, whatever that standard may be; and no other device will prevent such fluctuations.

Stability of standard.

23. But, obviously, the degree of stability of an international standard measure of value must depend entirely upon the particular standard selected. This suggests the second and principal advantage which is to be expected from the adoption of an international bi-metallic standard measure of value; namely, the vast improvement of that stability of the general standard measures of value which is of such supreme importance.

Injurious consequences of its recent disturbance.

24. It has been observed that the substitution by Germany of gold for silver, as its standard measure of value, followed by what was, in effect, the same action by France and her associates in the Latin Convention, was the immediate cause of the recent disturbance of the long-standing equilibrium of silver and gold, and so aggravated to British India the consequences of the recovery of its value by gold which was already in

progress, as to cause to it a loss upon its public obligations measured in gold, estimated at about 2½ crores of rupees* a year. A loss in the same proportion was caused upon all other obligations fixed by contract or custom by the gold standard. Doubtless the transfer of pressure from silver to gold, which produced these inconvenient consequences, must have proportionately counteracted the rise in the value of silver, which would otherwise have been greatly accelerated, and India must have obtained some compensation for the enhancement of its public gold obligations in the correlative depression of its public silver obligations. But if British India be treated as a whole, only its foreign obligations need for the present purpose be considered; and the fixed foreign obligations of British India measured in silver, though large, bear so small a proportion to those measured in gold that, it is certain that after all sets-off, there must remain a large balance of loss caused to British India by the action, first of Germany and then of France.

Stability of standard should not be liable to disturbance by action of one nation, as it now is.

25. No one can say whether the Governments of these two countries, especially that of Germany, which originated the disturbance, fully perceived the injury to the general interests which would follow upon the change of their national standard measures of value. Inasmuch as Germany herself has suffered and is suffering, as is believed, in proportion, as much by the change of its standard measure of value as any other nation, it may perhaps be presumed that the nature and effects of that measure cannot have been altogether appreciated by its authors. However that may be, it is surely a most serious evil that a single nation should, by a domestic action of this kind, whether intentionally or not, inflict upon other nations grievous injuries against which they are powerless to protect themselves.

International remedy urgently required.

26. As things now are, the stability of the standard measures of value throughout the world is at the mercy of any single considerable nation, which can at its pleasure practically overthrow such stability with all the great interests dependent upon

* Two-and-half million pounds sterling at par.—A. C. T.

it. All countries alike are, however, deeply interested in the avoidance of any disturbance of the general standard measures of value; and it may be hoped that, when the vast importance of the general interests at stake is perceived, it may be possible to obtain a mutual undertaking by each nation, not again without international consultation and consent, to take any steps of this kind, involving of necessity the disturbance of the general bases of contracts. Certainly it would seem that this, of all others, is a matter in which the comity of nations should act, under all circumstances, in common accord; and that resort should be had to all the sanctions and restrictions which international engagements can supply, in order to prevent a recurrence of the evils to which recent events show that all nations are now helplessly exposed.

The best international standard measure of value.

27. Thus far the following two axioms have been established:—

(1) That it is highly desirable that all nations should measure value by one standard.

(2) That the common interests require that no important nation should alter its standard measure of value without the consent of the rest.

The further problem may now be considered: what would form the best common international standard measure of value, if the principal nations should agree to adopt one? This question resolves itself into the previous question? what would be the most stable possible standard; for, beyond all doubt, the most stable standard, which is in other respects suitable, is the best standard.

Such a standard must be gold, silver, or a combination of the two.

28. It is unnecessary, in the discussion of this question, to go behind the precious metals, or to enquire why, by general consent, gold, or silver, or some combination of these two metals, are in use as standard measures of value by all civilized nations, to the exclusion of all other standards. There is no doubt—indeed, the occasion for the present argument would demonstrate the fact afresh, if such demonstration were necessary—that the value of the precious metals themselves is far from being im-

K 2

movable, and, therefore, that they are far from constituting perfect standard measures of the value of other objects; but, from time immemorial, better and more stable standards have been sought in vain. It would, therefore, be unprofitable to advert further to such speculations, it being practically certain that in practice among all civilized nations the precious metals must continue to constitute the standard measures of value to which all contracts, not otherwise expressed, must be referred. In what follows, therefore, it will be assumed that the choice of the best possible standard measure of value lies practically between gold, silver, and some combination of these metals.

Stability of standard to be distinguished from stability of exchange.

29. The problem now to be investigated has no immediate bearing upon the fluctuations of international exchange, which can be prevented absolutely beyond narrow limits by the use of any suitable common standard measure of value, and in no other way whatever. It signifies nothing, so far as stability of exchange alone is concerned, whether such common standard be gold or silver, or a combination of the two metals, or any other possible substance or device whatever. In order, however, to ascertain the effect upon the infinitely more important *stability of standard*, of the adoption of one or other of the three possible standards, namely gold, silver, or some combination of the two metals, it is necessary briefly to examine the causes which regulate the value of the precious metals.

Causes of value of precious metals.

30. In their nature these causes do not differ from those which regulate the value of any other object. Value is essentially a relative and not an abstract conception; and the value of the precious metals, as of any other object, at any moment and in any place, depends immediately upon the pressure of the present demand upon the present supply. Without diverging to follow any of the lines of thought suggested by this definition, it is only necessary for the present purpose to remark that the pressure of the demand upon the supply of objects such as gold and silver, which are practically imperishable, and the principal uses of which involve comparatively little wear and tear, are subject to influences which differ widely from those which regu-

late the pressure of the demand upon the supply of perishable objects, as for example a great catch of fish.

Uses of Gold and Silver.

31. Gold and silver are used for three principal purposes, which may be named in their order of importance, as follows:—

(1) Hoarding or storing value, whether in the form of money or in cruder forms;
(2) Current or active money;
(3) The manufacture of works of art or ornaments, and various industrial uses.

Waste in works of art insignificant.

The actual final consumption or waste of the precious metals in the manufacture of works of art or ornaments is, by comparison with the quantities produced, so insignificant that it may be ignored. Whether embodied in works of art or in solid bars, these metals are so far indestructible, that the weight of metal used in the arts, which constantly reverts to the crude form, probably suffices without very large additions to supply all demands for this object. The consumption of these metals for industrial purposes, though larger, is still probably unimportant in relation to their whole stock.

Use of precious metals for active money creates but small permanent demand upon stocks.

32. So again the recurring demand for crude gold and silver for the manufacture of coin for current use, in all probability rather diminishes than increases. Paper money in its several forms of notes, cheques, bills of exchange, &c., and improved methods of the settlement of accounts, such as culminate in clearing-houses of various kinds, all tend constantly to displace the gold and silver money in current or active use for exchange of value. Such devices are, probably, not as yet exhausted, even among the most intelligent communities; while there is a great scope for the economy of the precious metals employed as active money, by the introduction, among the less advanced countries, of methods which are already established in the more advanced countries. Even if such obvious opportunities for further economy be ignored, it is certain that the volume of the

metallic currency, or as it may be defined, the active metallic money of any country fluctuates but little; and that, when a country has an adequate outfit of active metallic money, its indents upon the general stores of the crude metal for the maintenance of its currency are almost imperceptible. The waste of the metal thus used, whether in wear or tear, loss or destruction, is ascertained to be so small that it may be neglected.

Because the volume of active money does not fluctuate or grow.

33. The fact is generally recognised that the volume of a properly constituted subsidiary money, whether superior like bank or currency notes, or inferior as debased silver or copper coins, is subject only to limited variations: the demand for such instruments remains comparatively uniform. Upon reflection, it will appear that the same principle applies to the rest of the active or current money of any country whose currency is in a sound condition. There is no reason whatever to suppose that the volume of the retail exchanges of any community which requires the intervention of active money is liable to any violent or frequent expansion or contraction, or that the volume of metallic money in active use varies more than that of the several forms of subsidiary or representative money, or in fine, that any constant accretion to such money is required. Doubtless there may be a spasmodic demand for a fresh stock of active money on special occasions, as there was for gold when, recently, Germany introduced its gold standard, or when America resumed specie payments; but such contingent and temporary demands produce little permanent effect upon the value of these metals.

Value of precious metals wholly dependent upon their use for storing value.

34. It may be concluded, therefore, that if gold and silver were needed only for the manufacture of works of art or ornaments, and of active money, the pressure of the permanent demand upon the permanent supply of these metals would be so weak, that their values would be unstable and low. The stability, at a high range, of the value of gold and silver really depends exclusively upon their use for hoarding or storing value.

If, indeed, language be used with severe exactitude, it may be difficult to draw a clear distinction between money hoarded

or passive and money current or active; and the most precise definition of the uses of the precious metals would, perhaps, be—

(1) Storing value (hoarding);

(2) The manufacture of works of art or ornaments, and various industrial uses;

the second of which uses, as has been shown, contributes little or nothing to the value of these metals, except indeed in so far as this use, sometimes, as largely in Asia, merges in, and is indistinguishable from their use for storing value.

True use of the precious metals always to store value.

35. According to this, which appears to be the true definition, the primary use, even of current or active money, is to store value not immediately wanted; its employment for the transport or exchange of value being, though an important, yet a secondary, duty. It would be difficult, on any other hypothesis, to distinguish between the attributes of money buried by misers or ignorant peasants, and so absolutely passive and useless for the transfer of value, and that which passes, perhaps several times in a day, from hand to hand. To regard money proper of all kinds, including the crude substance of money, as used primarily for storing value, furnishes us with a definition common to all such money, under which passive money differs from active only in that it is stored for a longer period.

Distinction between active and passive money.

36. Certainly, it is impossible to draw any clear line between current money and hoarded money. Money current to-day may be hoarded to-morrow; money hoarded to-day may be current to-morrow; and it may be often difficult to say whether particular money is hoarded or not, as, for instance, the reserves in the vaults of the Currency Department of India or of a bank. All that is clear is, that of all the precious metals in existence, a certain volume, subject to little or no expansion or contraction, which has been in this memorandum defined as active money, is required for the constantly recurring occasions when value must be transferred in retail from hand to hand, and the rest is, excepting the insignificant portion devoted to artistic and industrial uses, hoarded or stored. The importance of the distinction between active and passive money must, however, not be over-

looked: it lies chiefly in this, that representative instruments and devices can and do perform all the duties of active money often far more conveniently than the money proper which they represent. But, speaking generally, such expedients cannot efficiently discharge the functions of passive money because they are ineffectual for prolonged hoarding.

Pressure of demand upon precious metals for storing indefinite.

37. The laws which regulate the demand for gold and silver for storing value cannot be traced; its pressure is indefinite, and perhaps depends ultimately upon the volume of the products of the labours of man and the fruits of the earth not required for immediate consumption. This and probably this only is the demand which, by its pressure on their supply, ultimately confers upon the precious metals their permanent value.

Their efficiency for this purpose not intrinsic but dependent upon human laws.

38. The efficiency of the precious metals for storing value does not unhappily depend, like the efficiency of coal or wood for storing heat and force, exclusively upon intrinsic qualities of which mankind cannot deprive them, but, to a large extent, upon the common consent or even caprice of mankind; their intrinsic efficiency for storing value, and therefore their intrinsic value, consists only in their superior fitness for this particular duty as compared with all other substances; but they may conceivably be at any time dethroned from this position; their value rests in short upon human laws, and can at any moment be destroyed by human laws.

Recent practical examples of this truth.

39. During the last thirty-five years the value of each metal in turn has been seriously imperilled by threatened or actual legislation of this kind. After the discovery of gold in California and Australia, one of the most distinguished of French economists (Chevalier), and a well-known English economist (Danson), oblivious, as it would seem, of the effect of their proposals upon the existing standards of value and thus upon contracts throughout the world, earnestly and persistently advocated the disuse of gold as money; if their advocacy had prevailed, the value of

gold would have been destroyed. Now, again, within the last few years silver has been actually demonetized in Europe, the stability of its value being thereby seriously impaired. Plainly, either metal might be at any moment demonetized, and its value indefinitely reduced by human legislation. If the suggestion that the value of both metals might by like means be simultaneously dissipated be made with much hesitation, it is only because, as already said, it is difficult to conceive that it would be possible to find any other standard measure of value which could be, or at least is likely to be, substituted for both gold and silver.

Precariousness of their value under present conditions.

40. Upon so precarious a basis rests the whole fabric of that portion of human wealth which is stored in the form of the precious metals; the most permanent of all the forms of wealth, if human laws were unalterable; the most easily destructible by any change of such laws under the influence of panic, caprice, or misunderstanding of the abstruse principles which underlie the phenomena under investigation.

Relative values of precious metals are under human control.

41. If the conclusion be accepted, and it appears undeniable that human legislation, by causing their disuse as money, and so incapacitating them for the duty of storing value, can deprive either, if not both, of the precious metals of the greater part of their value, it follows conversely that the value of either metal can, by the same instrumentality, be increased at the expense of the other, and accordingly that their relative value can, within wide limits be fixed or defined; it was so defined, as has been shewn, for three quarters of a century, in virtue of the law of a single country (France); and, provided that such a law is sufficiently general, and that its permanence is ensured, its effect must be universal and absolute.

Production and stock of the precious metals.

42. In a second Appendix to this Memorandum will be found an estimate of the total production and present stock of the precious metals. According to that estimate the weight of gold and silver in human possession is about 510 millions of pounds

troy, of which 30 millions of pounds (one seventeenth part) is gold, and 480 millions (sixteen seventeenths) is silver. The aggregate value of the whole was till recently about equally divided between the two metals. The value of the whole may be at this moment about £2,800,000,000. So vast is the property, the value of either half if not of the whole of which lies, as has been shown, almost absolutely at the mercy of human legislation. If by human legislation or otherwise one of these metals should be demonetized, its value would be practically destroyed and transferred to the other, the value of which would be doubled. The catastrophe which would follow upon such a revolution can hardly be imagined.

Effect of German demonetization upon their relative values.

43. The immediate effect of the recent action of Germany may probably have been the transfer to the owners of gold of one-sixth of the value of the stock of silver existing in 1873, and the enhancement in the same proportion of all debts then existing defined in gold, and of all recurring payments fixed, by contract or custom, in gold. By a happy accident it seems probable that the claims of creditors by the silver standard have not yet been actually depreciated; at the same time, but for the action of Germany, such creditors would have been, to the foregoing extent, in a better position than they now are. Enormous injury has been caused to trade by the resulting oscillations in the value of both standards in search of a fresh equilibrium, and from apprehensions which still continue, lest other nations should follow Germany's example.

Gravity of risks lest other communities should follow suit.

44. These serious consequences from the comparatively moderate disturbance of the general standard measure of value due to the action of a single nation, furnish some indication of what would happen if other nations should hereafter take similar steps. It is not too much to say that, in such case, that stability without which a standard of value cannot discharge its main functions, already gravely impaired, would be finally destroyed. This calamitous result can be certainly averted only by the concerted action of the principal nations, and no effort should be spared to obtain such concert.

Inferior stability of mono-metallic standard.

45. If gold alone, or silver alone, was by common consent made the universal standard measure of value, then, after an indefinite interval of incalculable disaster and ruin, a certain new stability of standard established upon the sole gold, or sole silver, basis might again be attained; but, even then such stability, based upon one metal only, must inevitably be wholly inferior to that based upon the two metals in correlation, because the compensatory influences of the existing duplicate standards would be absent, and every passing fluctuation would operate upon a much smaller volume of material. To illustrate this, it may be asked what would have happened if the discoveries of gold in 1848 and 1851, which reduced the values of both metals by about one-fourth for twenty years, had operated on gold alone? It seems probable that, but for the steadying influence of the French yoke between gold and silver, the value of gold would have fallen by at least one-half; in other words, gold prices would have doubled, and creditors by the gold standard would have lost half their property.

Various forms of the bi-metallic standard.

46. In order to the existence of a real bi-metallic standard measure of value, it is not absolutely necessary that the two metals should be actually interchangeable, anywhere, at a fixed ratio. Such a ratio would, in a great degree, establish and maintain itself without any such interchange, if only a permanent share of the common field of employment were absolutely secured to each metal. At present, speaking generally, it may be said that the field of Europe and America is supplied only by gold, and the field of Asia is, to a great extent, supplied by silver; though, even in Asia, notwithstanding that gold is not used for money there, much value is stored in gold.

Existing correlation of gold and silver.

47. Thus, under present circumstances, silver takes a very substantial share of the work of storing value, not much less, as is shown in Appendix B, than one-half. Under this division of duty between the two metals, the value of each is, even now, in correlation to the value of the other, so that a bi-metallic standard measure does already actually exist in a very im-

portant sense. If, indeed, permanency of the existing conditions could be ensured, the most elementary defect of the present state of affairs would be cured. But not only is there no security for such permanency, but it is scarcely to be expected that the nations will consent to guarantee the *status quo* against all changes. Such an arrangement would leave America and France, especially France, burdened with a vast mass of silver money, representing value in excess of its own proper value; and, even if this obstacle were surmounted, it is hardly to be expected that other nations, who have now a silver standard, will, upon such conditions, bind themselves, for the common benefit, to forego for ever the use of gold money.

Inefficiency of the existing correlation even if it could be made permanent.

48. After all, too, even if a bi-metallic standard measure of value based upon the permanency of the *status quo* could be established, it would probably prove inefficient for one essential purpose. With a perfect system of standard measures of value, there ought to be no difficulty in the transportation of either metal from one country to another. For example, by reason chiefly of the rapid accumulation of the public debt incurred for the consolidation and material improvement of the empire, the settlement of the accounts of India, including inland Asia, with the rest of the world beyond sea, has hitherto required the constant inflow of gold and silver. But it may be hoped not only that the debt of India will, in due time cease to grow, but, even, that India may be in a position to repay some of its foreign debt. Whenever this state of things occurs, India ought to be able to retransport silver as well as gold without serious loss. It will be a great disadvantage to India, if eventually it should find itself deprived of this manifestly equitable resource. It may, however, readily be conceived that if silver is not used for money in Europe, its value there would, under such circumstances, be so greatly depressed that its retransport might be impracticable.

Guarantee of status quo *rejected.*

49. For these several reasons the expedient of an international agreement to maintain the standard measure of value of each nation, as it now is, may be set aside as practically unattainable and comparatively ineffectual.

Also the method of an electron or amalgam.

50. The simplest and most perfect theoretical form of a bi-metallic standard measure of value would be an electron or amalgam of silver and gold in fixed proportions. But, inasmuch as, if the metals were amalgamated in the proportions which other considerations require, such an electron would not be distinguishable, otherwise than upon assay, from pure silver,* this method also must be rejected as unattainable. Moreover, it would be too violently inconsistent with the actual facts of the world's money, which must practically predominate any settlement of the question.

Also that of associating the two metals in fixed proportions.

51. Another method also based upon the recognition of the bi-metallic standard measure of value would be to endue the two metals with the *vis liberatrix*, upon which, as has been shown, their value depends, only when associated in fixed proportions. Thus, for example, it might be determined that debts should be discharged by the delivery of 1 part of gold and 15½ parts of silver. But this method would be manifestly so cumbrous and difficult in operation, that it too may be rejected without more particular investigation.

There may be other possible methods.

52. Thus three conceivable methods of giving effect to a bi-metallic standard measure of value have been described, namely:

(1) The surrender by each country, by international agreement, of the right to make any change whatever in its existing standard;

(2) The general adoption as a standard of an electron or amalgam of gold and silver in fixed proportions;

(3) The endowment of either metal with the *vis liberatrix* or *force libératoire* only when accompanied by a fixed proportion of the other.

It is quite possible that these three methods do not exhaust all possible alternatives for the establishment of a bi-metallic standard measure of value.

* But see M. Cernuschi's remark about the Director of the Bank of Sweden, p. 123.—A. C. T.

These several methods serve to illustrate principle and show efficacy of human laws.

53. Their recital, however, is useful chiefly to illustrate the principle of a bi-metallic standard, as well as the baselessness of the common prejudice that the relative value of the two metals is not subject to the control of human laws. As already said, the experience of the world under the dominion of the French Monetary Law of 1803 effectually disposes of that fallacy. That law, although confined to a single nation, sufficed for seventy years to yoke the two metals together within narrow limits, which even the revolutionary gold discoveries of 1848 and 1851 scarcely stretched. As has been shown in this memorandum, the value of each precious metal is immediately dependent upon human consent, that is to say, human laws only. A grave disturbance of the relative values of the two has actually been caused by the legislation of a single nation (Germany); and it seems certain that, if the principles underlying the value of these metals were generally understood, the at one time generally-received, but now nearly-exploded, objection that their relative value is independent of, and cannot be controlled by human laws, would never again be heard.

The French method.

54. The three alternative methods aforesaid have been described only to be rejected, as being for sundry reasons, impracticable. The only method left is that first introduced, instinctively, if not indeed accidentally, by the French Monetary Law of 1803, and now, in practice, monopolising the title of THE BI-METALLIC STANDARD. By this method the coinage of silver and gold is unrestricted, and both metals are endowed with the *vis liberatrix* at a fixed ratio. For example, by the French law, a debt of 100 francs may be discharged by the delivery of coins containing either 450 grammes of pure silver or 29.0323 grammes of pure gold, being in the proportion of 1 : 15½.

Its efficacy in maintaining the stability of exchange and of the standard measure of value.

55. If a standard of this kind were adopted by all, or by a sufficient number of the nations, and if the ratio were fixed within certain limits, there can be no question but that equilibrium, and, to the utmost possible extent, the stability of the

values of the two metals would be completely and permanently secured. The general adoption of such a standard would produce the same effect as the actual replacement of the two metals, gold and silver, by a single electron or amalgam of the two metals in the proportion adopted. To whatever extent in the proportion used the facts should be so disregarded as that, after an imaginary amalgamation of the whole stock of the two metals in that proportion, there would remain a considerable surplus of either metal, the common standard would be to that extent subject to disturbance; but as such disturbance would not be confined to one country, but would extend over the whole world, it would be imperceptible, unless the error in the proportion used were very great. In no case would it affect the international exchanges which, by the adoption of a common measure of value, would be proof against all fluctuations beyond narrow limits.

Stability of such a standard. Effect of its general adoption upon creditors by existing gold standard.

56. There seems no room for doubt that a standard measure of value resting upon this broad basis must of necessity be indefinitely more stable than such a standard resting upon the basis of one metal only, and that its adoption under sufficient sanctions would certainly deliver, not India only, but the whole world from all the evils to which, in the absence of any international agreement, it is now exposed; and this without serious injustice to any existing interests. No doubt creditors by the present gold standard would lose some of their actual advantage, but for the most part this advantage has been acquired recently, and being wholly unearned is held upon no fundamentally equitable title. Moreover, the sacrifice entailed upon such creditors for the common good, would probably in almost all cases be largely compensated even to them by the substantial improvement of their security, and the general increase of prosperity which must ensue from the establishment of the standards of value of the world upon a permanently stable basis.

Proper ratio between gold and silver in such a standard.

57. The question what particular ratio between silver and gold should be adopted in a bi-metallic standard of this kind, though important, is still only a subordinate question. Theory, as already indicated, requires that this ratio should be, as nearly

as possible, the proportion which the whole stock of gold in the world bears to the whole stock of silver. But neither is it possible to ascertain this proportion with any precision, nor, whatever it may be, will it be permanently maintained. According to the statistics in Appendix B., this ratio, at the end of 1878, was about 1 : 16. The ratio by the law of the United States of America, now practically suspended, is 1 : 16. The ratio under the French monetary law was 1 : 15½. Although the American ratio, probably, approaches the more nearly to the present theoretical precision, yet the proportion of silver to gold in the common stock is now constantly diminishing, and much wider practical effect having been given to the French ratio, it would probably be preferable to adopt it. There is no doubt that the French ratio would, in effect, secure as complete a stability of value in the standard as is attainable.

Proposed Union.

58. Reference has been made in this Memorandum more than once to the consent of a sufficient number of nations as essential to the establishment of a common standard measure of value. The greater the number of nations associated for such a purpose, the more thorough would be the result. At the same time, it has been shown how effectual has been the action of a single nation (France); and it is believed that if America, France, Germany and India were to unite with this object, the desired reform would be effectually and permanently accomplished, and that it might be even possible to dispense with the co-operation of Germany. The Government of British India need not hesitate to become a party to such a union to which it might be expected that other nations would quickly adhere. The Government of India should not join any convention to which France is not a party. Present circumstances imperatively demand a concerted action between France and India.

Conclusions recapitulated.

59. The conclusions suggested in this memorandum may be thus recapitulated. It is considered:

(1) That value should be measured throughout the world by a common standard;

(2) That this standard should by the most effectual possible international sanctions be secured against disturbance by any single nation;

(3) That practically, however, the desired object would be attained by the union of America, France, Germany, and India, or even of America, France, and India.

(4) That the best, because the most stable, standard would be the recognized BI-METALLIC STANDARD, that is to say, the optional payment of debts in gold or silver at a fixed ratio; and

(5) That this ratio should be that prescribed by the French Monetary Law of 1803, namely 1 : 15½.

International Mint Regulations.

60. To complete the reform advocated, the mints of all nations should be organized, and the levy of seignorage regulated, under international laws. It would, indeed, be better still if, in recognition of the fact that value, of which money is after all only the instrument, is cosmopolitan, the mints of the world could be managed as neutral or international institutions, belonging not to individual nations, but mankind as a whole. This is, perhaps, an ideal, the realisation of which is distant; but it may be hoped that sufficient effect may be given to the general principle advocated to deliver the world almost wholly from the inconvenience and loss occasioned by fluctuations of the international exchanges, and greatly to alleviate the infinitely more injurious, albeit less patent, fluctuations to which the standard measures of value are now subject.

Subsidiary currency reforms.

61. The adoption of these principles would still leave many minor improvements in the currency or exchange-machinery of the world to be desired; but none of them are important in comparison with the settlement of a common standard measure of value upon a secure and appropriate basis. The following may, however, be mentioned:—

(1) The universal establishment of proper principles as to the issue of subsidiary money of all sorts, whether in paper or in any kind of metal. No such subsidiary money rests upon a sound basis which is not convertible, on demand, into standard money.

(2) The assimilation of the moneys of different nations. It would be convenient if there were, not only one

standard measure of value, but a common unit of such standard; that is to say, if the several coins of each country contained the same weight of fine metal, or, at least, multiples of the same weight.

(3) The general introduction of the decimal sub-division of money.

Effect of international bi-metallic standard upon metallic currency.

62. It is not necessary to speculate on the effect which the introduction of the bi-metallic standard would produce upon the current or active money of the world. On the one hand, it is not to be expected that such a measure would for a long time, if ever, modify that universal preference of gold to silver, which is doubtless founded upon its *primâ facie* inherent or intrinsic superior qualifications for storing value. The Gresham law might, therefore, perhaps operate to cause the recession of gold into the stores of passive money, where it would none the less effectually discharge its share of the common function of the two metals, although it might only appear at intervals in the *rôle* of active money. On the other hand, the greater efficacy and cheapness of the more valuable metal for the transport of value in large amounts and over long distances might possibly lead to its preferential use for the wholesale and international settlement of accounts.

Gold might possibly disappear from active circulation; but too much weight must not be allowed to this disadvantage.

63. Doubtless the substitution of silver for gold as the active or current money of the countries which now use gold—if, perchance, this should be the result of the introduction of the bi-metallic standard—would be distasteful to those who are accustomed to the more portable and convenient instrument. But, while sympathy might be felt with their preference for gold, objections of this nature need not be ranked highly in comparison with the world-wide and substantial benefits to be expected from the reform which might possibly involve them; and when it is remembered that but a small fraction of the world, even now uses gold for its current money; that little practical inconvenience is found to result from its absence in such different countries as India and Scotland; and that, by a

suitable development of paper currency, the disadvantage of the greater weight of the less valuable metal can be so mitigated as to be almost neutralized, the conclusion need not be evaded that there is little real substance in such prejudices. The sentimental arguments which are connected with the supposed superior beauty, and the certainly superior value, of the royal metal, do not seem to deserve even a passing thought.

The additions to the stock of the precious metals since 1851 have caused no lasting loss of their value.

64. Lastly, one remarkable phenomenon cognate to the subject of this paper may be noticed. During the thirty years ending with 1878, the stock of gold in the world was nearly doubled, and one-fourth was added to the stock of silver. This rate of increase to the stock of the two metals was unexampled. Some temporary inconvenience was caused by the consequent fall in the value of these metals, or in other words, the general rise in prices; but, although as yet, the production of the precious metals is but slightly abating, there has of late years been a marked reaction in prices, which have receded very nearly to the level at which they stood in 1850; that is to say, notwithstanding the unprecedentedly vast additions to the stock of the two metals and their continued great, although now diminishing, production, they have already nearly regained their former value.

Concomitant increase of human wealth.

65. This paper must not be prolonged by an attempt to analyze the causes of this unexpected, not to say extraordinary, result. But it deserves remark that the period during which these unparelleled additions have been made to the general stores of the precious metals—not at all, as is believed, to the active metallic money of the world—has been also a period of unparalleled development of the general resources of the human race and unprecedented material improvements. If it be true that the fundamental and principal use of the precious metals is to store the surplus produce of the soil and of human labours, then it seems to follow that the growth of this surplus has ultimately kept pace with the supplies of the precious metals, greatly as these supplies have been for the time accelerated.

Probable connection between these phenomena.

66. Thus it becomes a not violently improbable assumption that there is no remote connection between the supplies of the precious metals and the progress of material improvements in the world. Indeed, it would not probably be difficult to trace, in the recent history of British India, a direct relation between the contemporary discoveries of the precious metals and the activity of labour which would otherwise have remained dormant; the cultivation of land which would otherwise have continued unproductive, and even the preservation of human lives which would otherwise have perished.

Threatened contraction of supply of the precious metals.

67. According to all available information, we have now to contemplate the probability of a progressive contraction of the supply of these metals. If so, it is peculiarly important, just now, to prevent the further disuse of the less valuable metal, and it would be, just now, especially disastrous if mankind should finally resolve to use gold alone for the storage of value, and decree the destruction of the value of silver.

Cosmopolitan character of the question.

68. Many of the arguments used in this paper have travelled beyond the scope of the British Indian interests, and adverted to cosmopolitan considerations which may at first sight seem to be outside the duties of an Indian official; but for this no apology is necessary. The truth is, that, in this matter at least, the interest of each country is identical with the interests of the whole world. Therefore, in the advocacy of the great reform which is the object of this Memorandum, on behalf of India, it has been necessary to plead on behalf of all other nations.

The interests of India.

69. At the same time, this paper has not been prompted by a quixotic desire to promote a reform with which India is not concerned, but solely by the conviction that the interests of this great empire imperatively demand its adoption. The yearly loss to India from that recent monetary disturbance, which was possible only by reason of the absence of international engagements for the equitable protection of the monetary interests of

all nations, has been estimated at about 2½ crores of rupees. Large as is that sum it represents, it is believed feebly and inadequately, the injury inflicted upon British India by the loss of general confidence in the stability of its standard measure of value. Moreover, India is left meanwhile constantly exposed to the consequences of the actions of other nations over which the Government of India have no control.

Importance of the problem.

70. The restoration of public confidence in the standard measure of value of British India by its re-establishment upon a stable and secure basis, and the deliverance of the Government of India from risks and apprehensions, which, as has been said, make any settled financial policy well-nigh impossible, seem to be objects worthy of vigorous and sustained efforts, and of the application of all the resources at the command of the highest statesmanship.

R. B. CHAPMAN.*

SIMLA,
DEPT. OF FINANCE AND COMMERCE.
2nd June, 1880.

* Mr. Robert Barclay Chapman, C.S.I., of the Bengal Civil Service, who has been Secretary to the Government of India in the Financial Department for the last twelve years, viz., from the 16th January, 1869.—A. C. T.

APPENDIX A.

PRICES AND VALUES OF TYPICAL COMMODITIES IN GOLD AND SILVER IN LONDON AND CALCUTTA.

(PRICES AND VALUES OF MARCH, 1873=100.)

IN LONDON.	Actual Prices.						Prices in Gold.				Values in Silver.			
							Compared with March, 1873.		Percentage of change since 1876.		Compared with March, 1873.		Percentage of change since 1876.	
	April, 1876.			Dec., 1879.			April, 1876.	Dec., 1879.	Rise.	Fall.	April, 1876.	Dec., 1879.	Rise.	Fall.
	£	s.	d.	£	s.	d.								
Gold		..			..		..	..	..	..	111.72	113.94	1·99	..
Silver		53	5		52	4	89.54	87.76	..	1·98	..	..	..	..
Scotch Pig Iron		58	3		65	6	49	55	12·2	..	55	63	14·5	..
Coals, Hetton Wallsend		21	3		16	9	63	50	..	20·6	71	57	..	19·7
Copper, Chilli Bars	79	0	0	66	10	0	88	74	..	15·9	99	85	..	14·1
Straits Tin	71	10	0	90	10	0	49	62	26·5	..	55	71	29·1	..
Wheat		45	3		47	1	82	85	3·6	..	91	97	6·6	..
Flour, Town-made		40	6		40	6	86	86	..	..	96	98	2·1	..
Beef, Inferior		3	8		2	10	110	85	..	22·7	123	97	..	21·3
Beef, Prime small		5	6		5	1	105	96	..	8·5	117	110	..	6·
Cotton, Middling			6⅝			7	69	76	10·1	..	77	86	11·7	..
No. 40 Mule Twist			11¼			10¾	80	77	..	3·7	90	87	..	3·3
Wool S. D. Hogs	16	10	0	14	10	0	80	71	..	11·2	90	80	..	11·1
Sugar, Manilla		14	0		18	6	72	95	31·9	..	80	108	35·0	..
Coffee		82	6		71	6	95	83	..	12·6	107	94	..	12·1
Saltpetre		22	3		26	9	80	96	20·0	..	90	110	22·2	..
IN CALCUTTA.							**Values in Gold.**				**Prices in Silver.**			
	Rs.	A.		Rs.	A.									
Grey Shirtings (8 lbs. 2-4 oz.)	5	0		4	11		75	69	..	8·	84	79	..	5·9
Mule Twist, White Good, No. 40	0	5½		0	5⅛		77	70	..	9·1	86	80	..	6·9
Turkey Red, No. 40s. 12 lbs.	1	8		1	3½		82	66	..	19·5	92	75	..	18·5
Orange, Nos. 40-60	0	13¼		0	12¾		79	74	..	6·3	88	85	..	3·4
Copper, Sheathing	39	4		32	12		89	72	..	19·1	99	82	..	17·1
Iron, Flat, Bolt, Bar, and Square	3	11		3	1		73	60	..	17·8	82	68	..	17·
Spelter, Hard	10	13		8	0		136	98	..	27·9	152	112	..	26·3
Hides, Buffalo, Patna	72	0		125	0		54	91	68·5	..	60	104	73·3	..
Jute, Picked	24	0		31	0		117	148	26·5	..	131	169	29·0	..
Linseed, Fine Bold	3	12½		5	1		76	99	30·2	..	85	113	32·9	..
Rice, Ballam	2	7		3	2		103	129	25·2	..	115	147	27·8	..
Saltpetre	5	6		6	11		62	75	20·9	..	69	85	23·2	..
Sugar, Gurpatta	6	10		8	8		61	76	24·6	..	68	87	27·9	..
Tea, Good Souchong	0	12		0	8		97	64	..	34·0	109	73	..	33·0
Wheat, Doodiah	2	8		3	10		66	95	43·9	..	74	107	44·6	..

APPENDIX B.

ESTIMATES OF THE PRODUCTION OF THE PRECIOUS METALS SINCE THE DISCOVERY OF AMERICA, AND OF THE STOCK IN EXISTENCE BEFORE THAT EVENT (COMPILED FROM VARIOUS SOURCES).

	Gold.		Silver.	
	Kilograms.	Lbs. troy.	Kilograms.	Lbs. troy.
In existence in 1492*	87,870	235,420	3,222,395	8,633,833
Produced elsewhere than in Extra-Russian Asia, 1493-1848*	4,415,498	11,829,856	134,650,078	360,750,000
Produced in Extra-Russian Asia, 1493-1847*	1,288,768	3,452,827	3,107,309	8,325,000
1849-1850*	102,515	274,656	2,071,539	5,550,000
Total 1493-1850......	5,806,781	15,557,339	139,828,926	374,625,000
1851-1875†	4,821,775	12,918,339	31,003,825	83,064,414
1876-1878‡	410,062	1,098,626	5,293,934	14,183,333
Grand Total	11,126,488	29,809,724	179,349,080	480,506,080

Values in sterling money in 1878 :—Gold £1,519,482,000
Silver at 50*d.* an oz. troy .. 1,298,665,000
At 60*d.* ditto 1,558,398,000

* Tooke and Newmarch, Vol. VI., pp. 141, 142, 150, 231.
† Soetbeer, Production of the Precious Metals (1879).
‡ Sir Hector Hay, Statistical Society's Journal, 1879, p. 436.

NOTE.—All the authorities who have shared in the compilation of these statistics concur in the warning that the figures, especially before 1848, must be taken with reserve. They are in fact, at the best, only guesses carefully make by competent observers, after examining all kinds of data.

Even as such they are open to the following criticisms and remarks:

I. The estimate of the metal already won in 1492, avowedly, only includes the stock in Europe, Russia in Asia, and Mediterranean Africa. It does not include the stores already won from the earth in America, Asia, and the rest of Africa. Even the European stock seems probably much underestimated; and it is likely that the Asian store was already large.

II. The estimate of the produce of Extra-Russian Asia between 1493 and 1847 is by a Russian authority, M. Otreschkoff. It does not apparently include India or Japan; yet there are indications that the production of gold in India may, in the past, have been considerable.

III. The statistics since 1847 apparently include little or nothing for Extra-Russian Asia; and the greater part of Africa is throughout excluded. But Jacob speaks of considerable produce in Africa, and values the produce of Asia in gold at £1,235,000 a-year, and in silver at £165,000 (Jacob, *On the Precious Metals* [1831], chapter xxvii.). Otreschkoff estimated the gold production of China at £600,000 a year, and of Sumatra, Java, Borneo and the Archipelago at £2,400,000, and the silver production of China at £180,000 a-year (Tooke and Newmarch, vol. vi., p. 762). Chevalier estimated the yearly produce, before 1865, of Extra-Russian Asia and the Asiatic Archipelago and Africa at no less than 80,000 kilos. of gold (nearly £11,000,000), and 500,000 kilos. of silver (about £4,300,000) (*Money*, edition 1866, p. 557).

IV. On the other hand, the figures in this Table since 1492 allow for no waste and no losses, as for example, by shipwrecks, fires, forgotten hoards, and the like.

Perhaps, these several omissions may be set against each other, and the weight of gold now in existence estimated as follows:

	Kilograms.	Lbs. troy.
Gold........................	11,200,000	30,000,000
Silver	179,200,000	480,000,000

But these estimates probably err in the direction of being too low.

LETTER OF MR. R. BARCLAY CHAPMAN TO PROFESSOR NASSE.

To Professor Nasse, Bonn.

My dear Professor Nasse,—Our mutual friend Dr. Brandis sent me some time ago some questions which you had put to him about the relations of India with the silver question.

He has since sent you a paper of mine written some months ago, containing my reasons for believing that the only possible remedy for the evils arising from the divergence of the values of the two metals from which all nations alike are suffering is bi-metallism. The point of that paper is that the supreme desideratum for all countries alike is the most stable possible standard of value—a point which appears to me to be strangely overlooked by almost all those who are wont to take part in the discussions on this important question.

I am myself convinced that what has taken place, as yet, is that gold has risen in value, or say *recovered*, since 1873, the value which it lost in 1848-51.

My advocacy of bi-metallism is based upon the fact, which appears to me beyond dispute, that a bi-metallic standard must be many times more stable than either a single gold or a single silver standard of value, and that a universal standard of value ought, assuredly, to be a settled international obligation.

I believe that, as being more plentiful, silver would be a less unstable universal standard than gold, but that a combination of the two metals would be infinitely superior in this essential respect to either metal alone.

Surely the mono-metallists have lost sight of the true substance of the problem. Unless a fallacious definition of *value* be accepted, there can be no question that the value of gold must be most unstable, and that, therefore, gold must be a thoroughly bad standard of value.

Do not suppose me a protectionist in thus arguing. I am so absolute a free trader, that I should rejoice, for example, at this

moment, to see the ports of India thrown open to the world without duty of any kind, except on wine and spirit, and salt. Also do not suppose that my proposal is made in the separate interest of India. On the contrary, I verily believe that if gold mono-metallism continues to prevail in Europe and America, or say, in France, Germany, and Great Britain, and the United States, which may be said to comprise the most civilized and wealthy parts of Europe and America, then these countries will suffer more than those who use silver, because a rising standard of value is far worse than a falling one.

I now send you some statistics which I think you will find interesting as illustrating the relations of India with this question in the past, and indicating its attitude in the future.

You say that you cannot understand the fluctuations of the payments in England on account of India. These fluctuations are easily explained. They depend only upon our debt transactions. During the past thirty years* India has borrowed large sums of money for the construction of railways and canals, for the suppression of the mutiny of 1857, and for the relief of the people on the occurrence of famine. When money is borrowed in London, the Secretary of State uses that money for the necessities of the Home Treasury, and draws so much less upon India. The consequence is, that merchants, deprived of their usual channel of remittance (the Secretary of State's Bills), buy and send out silver. Even when we borrow in India, the same result follows. Almost all our subscriptions come, directly or indirectly, from London; and people either compete more actively for the Secretary of State's Bills, so raising exchange, or send silver.

You will easily be able to group these phenomena in a more simple and scientific shape. In its effect upon the exchange with other countries, a loan, at all events a foreign loan, raised by a nation is in every respect equivalent to the export of merchandise. Therefore, shortly, our exchanges during these thirty years have been vastly improved by the large amount that we have borrowed.

Nothing can be more certain than that, if we had not borrowed these large sums, we must either have exported so much

* The exact period is 29 years and 11 months; the terminal date of our account year having been altered in 1867 from the 30th April to the 31st March.

more merchandise, or imported so much less merchandise, or gold or silver. We could not, I believe, have exported more merchandise. Rather, inasmuch as, by the hypothesis, we should have remained without our improved communications, we should probably have been unable to export nearly so much. Therefore equilibrium must have been adjusted through the imports, and there can, in my opinion, be no doubt at all that the brunt of the reductions would have fallen, not upon the imports of merchandise, but upon the imports of the precious metals.

The table brings out the remarkable fact, little observed in Europe, that one-third of our imports of the precious metals is in *gold*, only two-thirds being in silver. India imports gold as a luxury. It goes chiefly to the rich people, who will, to a great extent, have it anyhow. Hence I draw the further inference that, as between the two metals, the decrease, if we had not borrowed, must have fallen upon the imports of silver.

In other words, the support which the demands of India have given to the value of silver during these thirty years is due, almost wholly, to the great debt which she has incurred, and to no other cause. Silver can, of course, only come to India either on loan or in exchange for other things. If India had not been borrowing, she could not possibly have paid for the greater part of the silver which was imported during these thirty years.

Before turning to the future, I ask you to note one thing. Like France, India possesses an enormous stock of metallic money: I dare say £250,000,000. Some people assume that all this great mass of money is in circulation, and is wanted for daily purpose. There could not be a greater mistake. On the contrary, I believe that a very small portion of this money is in active circulation, not perhaps more than one-fifth part of it. The rest is all hoarded, in larger or smaller quantities, throughout the country. You will bear in mind our vast population. Almost every respectable individual amongst them owns more or less silver, in the form of either rupees or solid silver ornaments worn by his wife and children, but held always available for conversion into money on need arising.

We are now in a position to form some opinion as to the future demands of India for silver. Those who advocate the demonetization of silver in Europe and America are in the habit of assuming that because during these thirty years India has

absorbed large quantities of silver, therefore she will continue to do so for all time to come. This assumption has been made even in the London *Economist*, and that, too, when the late Mr. Walter Bagehot was its editor. The same fallacy prevails throughout his published works, and is, indeed, a stock refuge of all opponents of bi-metallism.

There is no shadow of foundation for this assumption. Those who make it forget that, till India began to borrow for the construction of her railways, her imports of the precious metals were insignificant—only about 2 or 3 millions sterling a-year. They forget that a country can absorb neither silver nor anything else with any benefit to the rest of the world, unless in exchange for some equivalent more valued by other countries; and they neglect to enquire whether there is no explanation of the great flow of silver to India during the last thirty years, on which they found expectations which have so important a bearing on the course they advocate.

From what I have said, it will, I think, appear beyond dispute that the answer to the question whether India will continue to absorb silver in the future as she has done in the recent past, or to what extent she will so absorb it, depends exclusively upon the answer to the previous question, to what extent she is likely to increase her debt.

Now, I have explained that the large amount which India has borrowed during these thirty years is explained by—

(1) The construction of her railways and canals, which have cost 170½ millions sterling, namely:

Railways	144¾ millions.
Canals, &c.	25¾
	170½

(2) The suppression of the mutiny of 1857, which cost a very large sum.

(3) The frequent occurrence of famine and war, which have cost together 33 millions during the last eight years alone.

I mention a further cause, not connected with the public debt—namely, the cotton famine resulting from the civil war in the United States, which enormously inflated the price of Indian cotton, and added millions to the wealth of India. Obviously such a windfall for India as that cannot be expected to recur.

We may also, I think, hope that there will be no repetition of such a convulsion as the mutiny. The future of the British Indian Empire in this, as in other respects, is in the hands of God; but, so far as human foresight goes, there is no reason for anticipating the recurrence of such a catastrophe.

Further, I think that those who count upon India absorbing silver *ad libitum* cannot wisely anticipate the recurrence of such a conflict as the recent costly war in Afghanistan. No other so costly a war has occurred in the last thirty years; and, subject always to the will of God, I do not apprehend any other for the present.

As to railways and canals, India is now supplied with her principal requirements in this respect, the main trunk lines being complete. An incalculable amount of capital may, I believe, still be profitably invested in subsidiary railways in India. I look for the general recognition of the wisdom of that policy in which France is taking the lead, of extending railway communication throughout the length and breadth of every country, and I contemplate, with sanguine anticipations, the adoption of this policy in India, and the abandonment of the present retrograde and, as I think, unwise policy, by which ridiculously narrow limits have been imposed upon the material development for which India is literally crying aloud. With the most ordinary prudence, it is scarcely possible to make a railway in India which does not yield a prompt and rich return. As soon as this is perceived, as it must speedily be perceived, and as soon as the really prosperous condition of the Indian finances is understood, as it must speedily be understood beyond all cavil, I make bold to expect a relegation of the present pusillanimous policy to the limbo of obsolete superstitions.

But meanwhile India is bound in swaddling bands, and Great Britain has forbidden the expenditure of more than 2½ millions a-year upon her material development; and even when Great Britain regains her senses on this subject, there is no probability of a yearly expenditure on such objects on anything like the scale of the last thirty years.

What is to be said about famine? During the last eight years the expenditure for the relief of the people from the effects of famine, and the loss of revenue from this cause, have amounted to £15,646,214, or not less than £1,955,777 a-year. I cannot foretell future seasons; but I do not think that we need

expect that the experience of these eight years will be in this respect permanently repeated; and I am confident that, as communications are improved, the relief of famine will be facilitated, and become less costly; nay, that in time these means and the growing prosperity of the country will prevent the occurrence of famine in India as completely as they have already prevented this great scourge in Europe.

I admit that our exports are likely to expand rapidly; but I expect, at least, an equivalent expansion of our imports of merchandise. I come now to the end of this long letter. Fully hoping that we shall spend in the future much more than we are now doing on the material development of India, and granting that we must for some time to come expect to bear a heavy burden for the relief of famine, I have to inquire what is the amount which India is likely to borrow in the future.

In considering this question, the first thing necessary is to form a judgment upon the present financial condition of India. Upon this point I must not weary you with too many details. Suffice it to say (1) that, after the most rigid exclusion of all items which do not properly belong to these years, I find that the revenues of the two years 1879-80 and 1880-81 have exceeded the public expenditure, with the exception of the expenditure of war and famine, by no less than 4½ millions sterling a-year; (2) that the revenues of India, so often stigmatised as inelastic, have grown during the past twelve years by no less than 9 millions sterling a-year, and present every appearance of a further healthy development; (3) that the public expenditure during the same period has increased by only 3¼ millions, of which 2¾ millions is due to the (by the Government of India) uncontrollable accident of the disturbance of the relations between gold and silver; (4) that the public expenditure presents no appearance of further development to correspond with the prospect of the growth of the revenue; (5) that there is no true foundation whatever for the common prejudice that the people of India are heavily taxed. There has been literally no increase of taxation, on the whole, during the past twelve years, but rather a diminution. The share of the annual income of the country appropriated by the State has most certainly largely diminished, and is still rapidly diminishing. The growth of the revenues aforesaid is due not to any added burdens, but to such items as the growth of two

millions sterling a-year of the opium revenue, which is scarcely a tax upon India at all; the growth of the earnings of the railways by 3 millions; and the greater productiveness of the land revenue, the excise, and stamps and registration.

These things being so, what are our prospective demands upon the money market for loans? I have no hesitation in saying that the probability is altogether against any present rapid increase of our debt; nay, unless the Government sees fit to reduce taxation (and there is no pressing need for such reduction except for purposes of scientific fiscal reform, such as the abolition of the customs duties and of such a tax as the capitation tax in Burmah)—unless, I say, the Government reduce taxation, it is much more likely that India will now begin to repay debt than that she will borrow afresh.* I have shown that the importation of silver into India is almost wholly due to her borrowing. Conversely, if she should repay debt, the tendency must rather be for her to re-export some part of the great hoard of silver which she has been accumulating. At all events, in my opinion (I cannot say whether you will concur in it), there is no prospect whatever of the value of silver receiving much support hereafter by reason of demands for this metal from British India.

This is the upshot of the whole matter which I am anxious to impress upon you, and through you, if you should think fit, upon those in Germany who, in opposing international bimetallism, count upon India relieving Europe and America from the remaining stock of silver which, unless bi-metallism is internationally adopted, they must soon discard.

Depend upon it, a universal international bi-metallic standard of value is the only complete, the only true remedy for the evils under which all alike are suffering, from that recent disturbance of the standard of value which, you will pardon me for saying, the world owes to the action of Germany alone. That disturbance, in truth, affects gold quite as much as silver; I believe more so. Its effects are very far indeed from being exhausted. What is Germany going to do with her £25,000,000 of thalers? What is France going to do with her £80,000,000 of standard silver money, £50,000,000 of which are accumulated in the Bank of France alone? What is America going to do

* I cannot however, say confidently that we shall close the Afghan war without any further loan.

with her constantly accumulating "dollars of her fathers"? And what will British India do if any attempt is made by these nations to disembarrass themselves of their great silver encumbrances? Unless the only possible remedy is applied, namely, the re-admission of silver to that sphere of employment from which it has been arbitrarily expelled, there lies before the civilized world a period of incalculable loss and suffering.

You may make what use you like of this letter, understanding, however, clearly, that it possesses no authority apart from the truth that it contains, and, in particular, that I have not been authorized by my Government to write it, and in fact that the Government of India does not know that I have written it.

I am, my dear Professor Nasse,

Yours faithfully,

R. B. CHAPMAN.

FINANCIAL DEPARTMENT
OF THE GOVERNMENT OF INDIA.
25th December, 1880.

Principal Items of the Account of British India with Countries beyond

In krors and lakhs of Rupees 0000's omitted,

YEARS. 1	Declared value of merchandise imported 2	Net current disbursements from the Home Treasury, excluding Debt and Railway capital transactions (sterling, 0000's. omitted). 3	Figures in Column 3 converted into Rupees at the average rate of exchange for Secretary of State's Bills. 4	Net receipts in India on account of England (excluding Bills and Railway Capital transactions). 5	Net value of gold imported 6	Net value of silver imported 7	Net value of gold and silver imported 8	Total of columns 2, 4, 5 and 8. 9
1850-1851	11,56	2,98	2,89	36	1,15	2,12	3,27	18,08
1851-1852	12,24	3,31	2,81	50	1,27	2,87	4,14	19,69
1852-1853	10,07	3,68	3,21	51	1,17	4,60	5,77	19,56
1853-1854	11,12	4,03	3,98	1,19	1,06	2,31	3,37	19,66
1854-1855	12,74	3,77	3,87	43	73	3	76	17,80
1855-1856	13,94	4,47	4,53	74	2,51	8,19	10,70	29,91
1856-1857	14,19	4,80	4,78	31	2,09	11,07	13,16	32,44
1857-1858	15,28	5,60	5,49	14	2,78	12,22	15,00	35,91
1858-1859	21,73	10,33	9,59	1,10	4,43	7,73	12,16	44,58
1859-1860	24,27	9,12	8,40	50	4,28	11,15	15,43	48,60
1860-1861	23,49	8,32	7,66	— 58	4,23	5,33	9,56	40,13
1861-1862	22,32	8,07	8,11	73	5,18	9,09	14,27	45,43
1862-1863	22,63	8,80	8,83	94	6,85	12,55	19,40	51,80
1863-1864	27,14	8,79	8,82	78	8,90	12,80	21,70	58,44
1864-1865	28,15	9,37	9,40	92	9,84	10,08	19,92	58,39
1865-1866	29,60	40,15	10,23	65	5,72	18,67	24,39	64,87
1866-1867*	29,04	8,71	9,03	— 64	3,84	6,96	10,80	48,23
1867-1868	35,71	10,28	10,59	91	4,61	5,59	10,20	57,41
1868-1869	35,99	7,05	7,31	65	5,16	8,60	13,76	57,71
1869-1870	32,93	11,00	11,34	33	5,59	7,32	12,91	57,51
1870-1871	34,47	11,26	11,96	91	2,28	94	3,22	50,56
1871-1872	32,09	12,03	12,52	80	3,57	6,53	10,10	55,51
1872-1873	31,87	11,79	12,40	41	2,54	72	3,26	47,94
1873-1874	33,82	12,19	13,09	1,20	1,38	2,50	3,88	51,99
1874-1875	36,22	11,72	12,66	1,24	1,87	4,64	6,51	56,63
1875-1876	38,89	11,98	13,39	1,01	1,54	1,56	3,10	56,39
1876-1877	37,44	12,91	14,12	1,56	21	7,20	7,41	60,53
1877-1878	41,46	13,15	15,18	96	47	14,68	15,15	72,75
1878-1879	37,80	13,79	16,75	78	— 90	3,97	3,07	58,40
1879-1880	41,17	11,82	14,21	43	1,75	7,87	9,62	65,43
* 11 Months.	7,99,37	2,65,27	2,77,15	19,77	96,10	2,09,89	3,05,99	14,02,28

The figures in this Table may be thrown into an

Exports and Re-exports (Column 10)		13,42,57
Net Public Debt incurred. In England (Column 12)	1,65,83	
In India (Column 13)	40,12	
		2,05,95
Total		15,48,52

SEA FOR THE 29 YEARS AND 11 MONTHS ENDING 31ST MARCH, 1880.

Thus 11·56 = Rs. 11,56,00,000.

Declared value of merchandise exported and re-exported	Net sterling debt incurred including Guarantee Railway capital raised (0000's omitted).	Net sterling debt converted into Rupees at the average rate of exchange for Secretary of State's Bills.	Net Rupee debt incurred.	Total net debt incurred (columns 12 and 13).	Total of columns 10 and 14.	Difference between columns 9 and 15.	Difference between columns 8 and 14.	Secretary of State's Bills paid.	Average rate of exchange for Secretary of State's Bills.
10	11	12	13	14	15	16	17	18	19
									pence.
18,16	45	43	1,01	1,44	19,60	— 1,52	1,83	3,14	24.75
19,88	29	28	— 21	7	19,95	— 26	4,07	2,76	24.12
20,46	38	38	64	1,02	21,48	— 1,92	4,75	3,33	23.88
19,30	63	62	2,19	2,81	22,11	— 2,45	56	3,41	24.26
18,93	3,42	3,51	— 5,67	— 2,16	16,77	+ 1,03	2,92	3,63	23.38
23,04	3,58	3,63	1,80	5,43	28,47	+ 1,44	5,27	1,80	23.63
25,34	3,34	3,32	1,32	4,64	29,98	+ 2,46	8,52	2,91	24.08
27,46	7,75	7,60	7,75	15,35	42,81	— 6,90	— 35	1,28	24.46
29,86	13,63	12,66	5,41	18,07	47,93	— 3,35	— 5,91	5	25.83
27,96	16,64	15,32	5,21	20,53	48,49	+ 11	— 5,10	1	26.06
32,97	9,55	8,80	79	9,59	42,56	— 2,43	— 3	..	26.03
36,32	12,31	12,38	..	12,38	48,70	— 3,27	1,89	77	23.87
47,86	3,53	3,54	..	3,54	51,40	+ 40	15,86	5,94	23.92
65,62	61	61	— 35	26	65,88	— 7,44	21,44	9,41	23.93
68,03	3,94	3,96	— 3	3,93	71,96	— 13,57	15,99	7,18	23.90
65,49	5,06	5,10	— 1,04	4,06	69,55	— 4,68	20,33	6,42	23.27
41,86	9,51	9,85	46	10,31	52,17	— 3,94	49	5,94	23.16
50,87	10,25	10,55	68	11,23	62,10	— 4,69	— 1,03	3,82	23.30
53,06	7,42	7,70	— 29	7,41	60,47	— 2,76	6,35	4,60	23.12
52,47	8,31	8,57	2,14	10,71	63,18	— 5,67	2,20	5,88	23.27
55,34	10,03	10,65	1,22	11,87	67,21	— 16,65	— 8,65	9,71	22.60
63,21	5,10	5,31	1,16	6,47	69,68	— 14,17	3,63	9,96	23.05
55,25	94	99	— 27	72	55,97	— 8,03	2,54	15,06	22.81
55,00	1,28	1,37	— 4	1,33	56,33	— 4,34	2,55	14,26	22.35
56,36	5,86	6,33	3,40	9,73	66,09	— 9,46	— 3,22	12,00	22.22
58,09	2,89	3,20	2,91	6,11	64,20	— 7,81	— 3,01	14,50	21.65
61,01	6,49	7,60	— 85	6,75	67,76	— 7,23	66	14,49	20.49
65,22	6,56	7,57	3,06	10,63	75,85	— 3,10	4,52	10,32	20.79
60,94	1,24	1,50	3,85	5,35	66,29	— 7,89	— 2,28	17,47	19.76
67,21	2,08	2,50	3,87	6,37	73,58	— 8,18	3,25	17,89	19.96
13,42,57	1,63,07	1,65,83	40,12	2,05,95	15,48,52	— 1,46,24	1,00,04	2,07,94	22.29

equation as follows:— £198,160,000 = Rs. 2,07,94,00,000

Imports:—		
Merchandise (Column 2)	7,99,37	
Precious metals (net) (Column 8) ..	3,05,99	
		11,05,36
Home Services (Column 4)	2,77,15	
Net receipts in India on account of Great Britain (Column 5)........	19,77	
		2,96,92
Balance Net result of all transactions not included in this Table		1,46,24
Total	15,48,51	

or on an average 4,87 a-year.

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APPENDIX III.

MONEY AND LAW, BY S. DANA HORTON.

An Extract from the Documents relative to the Monetary Conference of 1878 and to the History of Money. Published by order of the Congress of the United States, Washington, 1879.

THE POSITION OF LAW IN THE DOCTRINE OF MONEY.

An Explanation.

To the contribution to the Study of Monetary Policy here presented it may prove useful to prefix some words explanatory of certain features of this voluminous list of books, which, from all but a few of the doctrinal writers named in it, would elicit expressions of unqualified dissent. I refer chiefly to the prominence which I have given to law, according to its different branches, as material for knowledge about money.

This view of the relation of money and law has not yet been promulgated, so to speak, *ex cathedra;* it has not yet found its way into Manuals of Political Economy through which the youth are taught, and the greater part of the monetary powers that be have not yet consciously framed their political action in obedience to its teachings.

This view is, in fact, excluded from credence by the doctrines which originally supplied motive for the most striking monetary movement of modern times; the still unabandoned persecution of silver by the civilized nations.

(1) *Gold and silver,* say the leaders of this movement, *are commodities, and they are nothing else.* (2) *Like iron, like wheat, they belong to commerce, not to legislation.* (3) *The stamp of the Mint upon the disc of metal is a mere certificate of its weight and fineness.* (4) *The great law of supply and demand which regulates*

the movements and the value of the precious metals pays no heed to the arbitrary commands of Legislatures and of Courts.

The learned reader will recognize these as admitted household truths of the magistral economic science of the day.

The acute reader will observe that with proper interpretation, these postulates are capable of establishing in the field of practical policy that mono-metallism can do no harm, and that bi-metallism can do no good, and that the choice of a money unit is strictly analagous to the choice of a unit of weight or of measure. (If proof were needed here, I could most conveniently refer to the expressions of some of the acute and learned European delegates at the Conference in earlier pages of this volume.) The field is thus, of course, left clear, that gold, the lighter, the nobler metal, may draw mankind onward in the path of simplicity, unity, brotherhood, by becoming, as universal and sole money, the brightest jewel of that crowning glory of the world's future progress, a metric system embracing the entire globe.

And in favour of these postulates, and of the conclusions they justified, and of the hopes they inspired, it has long been possible to cite the practice of England, the policy of Germany, and the aspirations of France.

On the other hand, the late monetary action of the Government of the United States, not in coining the new silver dollar be it understood, but in limiting the coinage and in calling the Monetary Conference of 1878, while it was the announcement of a policy of practical opposition to that which prevails in Europe, was also in the field of science, if rightly understood, a Declaration of Independence from the scientific errors of the anti-silver theories.

By the law of February 28, 1878, the United States became a teacher of reformed monetary doctrine.

The United States proposed to Europe concurrent coinage of silver and gold at one ratio, with a view to their concurrent use in the countries of the proposed union, and to the comparative steadiness of their relation to each other everywhere; and to do this was equivalent to an assertion by the United States, with that far-resounding utterance of which none but a great nation is master, that human law is a factor in the movement, and of the value, of the precious metals.

It is impossible to exaggerate the importance of the international questions to which the world's attention has thus been

directed. The material interests of mankind are still hanging upon the issue of this controversy of the nations upon a question of fact. All science agrees that steadiness in value is the test of good money, and everyone knows that confidence is the "life of business." If national laws be an important factor of demand or of supply of the metals, and hence a factor of their value, the monetary structure of the world, the entire economic organism in many countries, has been and must remain at the mercy of ill-advised legislation even in the few; while in the practical problem now at issue, it must be recognized that the persecution of silver being an attack against the steadiness of purchasing power of the world's money, both silver and gold; a disturbance of the world's valuations; a paralyzing blow at the world's production and exchange; from which mankind may still suffer for years to come as it has in the past. The remedy for a great part of the general evils under which the business world now suffers is to be found alone in concurrent monetary legislation, either in a new balance of power or in international union; if this be the teaching of scientific truth, and if the hitherto recognized interpreters of science have failed to enforce it, it is plain that "science" is in crying need of renovation. In any event the question has been raised, and the brain and heart of the thinker should be called into fullest activity, that the contest be at least decided as soon as possible.

If, therefore, an aggressive statement on my part can contribute to provoke from an opponent a successful refutation of these views, I shall still, though shown to be in error, have humbly served the cause of truth, and I shall rejoice if this list of materials of knowledge shall have afforded to my fartherseeing adversary any additional means of accomplishing this end.

In my own ascertainment of the necessity of a reformation of monetary science (so at least I regarded it), by according to private law, and to statute, a position in the doctrine of money analogous to the place which I have above assigned to it, in a list of books, an analysis of what the best minds had been able to advance as the argument for the gold standard long ago led me to seek to formulate for myself ("Silver and Gold," Cincinnati, 1876) with some precision, the logical foundation of their doctrine. It was thus that I was led to discover, as I believed, the remote origin of this theory as to demand and supply of,

or causatuation of the value of the precious metals. This theory of the partisan of gold and persecutor of silver seemed to me to connect itself directly with a most ancient root of opinion, whose familiar fruitfulness in fallacy well accounted for the peculiar vigour of this redoubtable offshoot.

I refer "to the Law of Nature, or Natural Law."

Time forbids my attempting to sketch the history of this theory; suffice it that the thoughtful student, whether of morals or of religion, of politics or of law, will recognize it as a time-honoured and ever-fertile mother of the false as well as of the true.

What share of fact is there then, I asked, in the underlying substratum and foundation of this theory of the partisans of gold and persecutors of silver, in this assumed antithesis, this supposed mutual exclusiveness of jurisdiction between *edict, decree, legislation, law, the arbitrary and official command of the state,* on the one side, and *nature, natural laws, the needs of commerce, the wants of trade, the natural course of events,* so far as money is concerned?

Contrast there is, of course, and ever will be.

But to what extent are the precious metals, and coins made of them, subjected to the influence of these great forces, respectively? What is this "natural" state of affairs to which points this theory of the partisan of gold, of the persecutor of silver?

Obedient to this hint I followed money to its *state of nature,* to *an imagined origin* of civil society. Civil society, I saw, implied the growing recognition of obligations, and an inchoate but progressive enforcement of them. These obligations implied constraint of the free will of the individual by the free will of the community, or of its appointed ruler; and hence, as compared with previous conditions of its constituent parts, society itself meant something artificial, arbitrary, official; and the contrast could only be, in important respects, heightened as time went on, for while the individual was born and died, society did not suffer death, and its corporate existence, through its perpetuation, gathered accumulation of authority.

What was the position of money in this change? Was it not, I asked, a constituent factor in the evolution of society?

These obligations of which I have spoken, this differentiation of functions involved a division of labour, and compensations must be made by one part of society to another, and notably to the governor by the governed.

And what is this but saying that tribute and taxes are therefore indispensable to civil society?

Again, without sanction of some sort, the obligations of law are ineffective. Of what avail this moral growth, this recognition and creation of obligations, this sense of the right to enforce them, if there be no means of enforcement, no power to compel to submission the individual who is insubordinate to the collective will? Hence the command of obedience to the law must be supplemented by adequate means, either of prevention or of punishment. In fine, a penalty must be imposed for transgression. In many cases this penalty, being proportioned to the offence, must be, not loss of life or mutilation of limb, not loss of liberty nor of privilege, but a simple transfer of property to the injured party or to the state. So again in matters not criminal in their nature, when specific performance of obligation, refused by the recalcitrant party, cannot be conveniently enforced by the state, the injured party must be made whole by a transfer to him of the property of the other.

It is obvious then that if the origin of society implies an attempt at the administration of justice, it also implies fines and damages.

And what is the substance, the material of tribute and fine, of taxes and damages? Evidently, whatever it is, it must be money.

The power which demands them must say in what commodity the command can be lawfully satisfied, and whatever use there may be of payment "in kind," yet the institution of money is in existence. Cattle or shells, salt or silver, something has become for the occasion *lawful* money and *legal* tender.

Commerce, be it not forgotten, has been contemporaneously present in the evolution of society, and commerce has created a *medium of exchange* out of something generally acceptable as an *equivalent*. The individual has obeyed his needs, and he, as well as society, has made use of a money. Nay, the individual and the state, the convenience of both conspiring to that end, have used the same commodity as money. The merchandise which serves as income and expenditure of the state, and the enforced transfer of which gives law its sanction, has also supplied to the individual that "third thing to be compared with others," that "measure" which, in facilitating exchange and the division of labour, furthers civilization.

The money of commerce, therefore, and the money of the state are materially one; but the origin of this unique product is two-fold. It is referable to distinct though correlated causes. In demand for a money the total free will of man has, so to speak, divided itself into two channels of volition. The necessities of government, in which is incorporated a part of the free will of man, conspires with the needs of the individual who makes exchanges with his fellows, in the creation and in the maintenance by all the force of private law of the institution of money.

So, in later stages of development, the existence of a form of capital which can be most easily transported in space and preserved in time finds its support in that activity of the law to which interest, fungibility, negotiability, are to be referred. In the lore of possession and of property, that debatable ground both of practice and of legal doctrine, money acquires a standing entirely different from that of ordinary movable commodities, and a loan of money becomes different in the eye of the law from the loan of other commodities, while the right of drawing interest as now recognized is the product of a slow evolution of legal right.

Such, then, seemed to me, in brief, the nature of the institution of money. It is this phase of coin which is neglected in the postulate first mentioned.

Now, this institution of money evidently necessitates in each nation the selection of some particular commodity to be used as money by its members, and the initiative and control of this selection is in the centralized power of the state.

We see here the power of legislation in the narrower sense of the word.

In every nation, arising from the mere fact of its organized existence, there is an universal and persistent need to employ something not merely as a medium of exchange, but as the legal instrument of valuation and legal means of payment, as lawful money and legal tender. It is legislation which directs this universal and persistent force upon this or upon that commodity, and in marshalling the force of human self-interest upon its side it provides effective means for the execution of its edicts. It thus affects the demand for the commodity selected, and if this be so, the second and fourth postulates of the partisan of gold are shown to be erroneous. In modern days this initiative and

control is peculiarly the province of the State. Centralization has grasped the reins of money. The great modern movements in extension of what we call the "credit system" are an indefinite expansion of these very obligations over which, by fixing means of their fulfilment, the legislature and the court inevitably hold jurisdiction.

But it may be supposed—and great minds have naïvely sanctioned this error—that there is no range of choice for the legislator in the selection of money; that he is powerless in the hands of commerce: so that his functions are merely ministerial, and his efficient influence *nil.*

Let us examine, in this connection, the third postulate, "*The stamp of the Mint is merely an official certificate of weight and fineness.*"

Is this true? Is not the stamp of the mint far more?

By that stamp, bullion, which before was only potential money, a part of the physical basis of the world's great institution of money, has become actual money in the state which coins it. Through that stamp, the piece of metal has become a means of payment, at schedule rates, of all obligations enforcible within the borders of that state. Through that stamp the commodity, bullion, has become the commodity, money.

Now, in itself this formula, this "official certificate of weight and fineness," does not explain the nature of the commodity bullion. It does not explain the nature of the commodity money. Nor does it indicate the reasons why this stamp works the transition from one to the other.

Evidently, then, this "official certificate of weight and fineness," to which most economists try to limit the activity of the legislator is essential in the doctrine of money, just as in war the clothing, the uniform of the soldier, the title of the officer are really matters of first importance.

An army naked and without organization is evidently as little to be thought of as money without mints.

But, at the same time, to dignify this matter of the "stamp of the mint and official certificate" to the position of being an exhaustive formula of monetary science, is it not as if we should gravely assert in ponderous volumes, that campaigns are matters of epaulets, and that the fate of nations depends upon gold braid and striped pantaloons?

On the other hand, if this dictum, instead of being presented as an exhaustive formula of science, assume the more modest role of a simple rule of the art of money, a maximum of monetary policy, it entirely justifies itself. If we say merely "the stamp of the mint *ought to be* an official certificate of weight and fineness," which is as if one should say, "that which is called a dollar *ought to be* worth a dollar" in the market, we find ourselves in possession of a sound and solid guide to action.

It is as if one should say, in speaking of the art of war, "armies should be clothed in uniform, and be commanded by officers of varied grades of command."

What can be more true and yet more innocent of scientific importance?

But if the interpreters of science have rejected the maxim of policy, and cling to the formula of science, it is evident that we are more advanced in the art of war than in the doctrine of money, the great art of peace.

In this connection I may mention another dictum which rejoices in the undiscriminating support of some distinguished men. "*It is impossible to establish an unalterable ratio between the two metals.*" A dispassionate consideration will, I think, show that this dictum is likewise true to a slight extent, and untrue to a very great extent. And this modicum of truth, like the skin of the Dead Sea Apple, is on the outside, and, intercepting the glance, deceives the unwary eye. Does not this dictum stand, in fact, upon the same level with the doctrine "*it is impossible for a man to draw a line absolutely straight;*" or is it not, in truth, parallel with the denial of the possibility that the world can show two things which are exactly alike?

Undoubtedly if the civilized nations were to join in coinage of both metals at one ratio, a small proportion of the total of exchanges of the metals might still be made at a different ratio. Human free will is not likely to abdicate its privileges in favour of a Coinage Treaty. Of course a single exchange made anywhere in the world, at a ratio above or below that fixed by the supposed Treaty of Christendom, would make the desired break in the uniformity. When the strain is from one end to the other, the strength of a chain is that of its weakest link. Of course no matter where the break is in the line, if there be a break the line is not absolutely straight. If two objects be in

ever so slight degree dissimilar their identity disappears. So it is true that it is impossible to establish in permanence and universally a fixed ratio between the metals, as it is true that no one can draw a line absolutely straight or show two things that are exactly alike.

But at the same time this so-called impossibility of a fixed ratio between the two metals is as unworthy to support a statesman in denying the possibility or desirability of a successful establishment of a fixed ratio, as the impossibility of making anything straight, or of making two things alike, is unworthy to prevent the construction of machinery and works of engineering. Machinery and engineering works all demand for their perfection, straight lines and identity between different parts. At the same time substantial straightness, substantial identity, will suffice. In practice the infinitely small can be neglected by the engineer and mechanician; why not by the statesman, why not by the economist?

Returning now to our question, we ask, what are the facts in this matter of the legislator's choice of material of money? Leaving copper out of account, to-day there are various weights of gold and various weights of silver. Cannot the legislator fix the weight of coin as he will?

Again, there are the two metals taken together under a variety of conditions, and they can be taken at any one of a variety of ratios to each other.

And the protean forms of credit, metallic tokens and paper money, are also constantly at hand.

The history of our century is full of legislative acts of selection of these kinds.

A consideration of facts comparatively familiar will plainly show that if in one nation the monetary legislator has avoided the Scylla of paper money, and with a single metal sails past the Charybdis of a ratio, yet he is still at sea; he must either select afresh, or he must maintain, some fixed weight of that single metal as the legitimate successor of that national unit of valuation which the past has transmitted to his care. And that unit of valuation must be saved from the shipwreck of great fluctuation in its purchasing power. If the single metal fail to support that unit steadily, the legislator must be ready to change his course, and to hoist what sail of law is needed (whether it be an

act of suspension of cash payments, or of the "Bank Act," or a new act of coinage or of legal tender), if only he can keep free of the breakers. It must also be clearly remembered that for the monetary legislator there is no port of refuge absolutely safe. Money is only by courtesy a part of a metric system; it is folly to forget, as the monetary metrologist is constantly doing, that there is no real "standard of value;" the safest of all safe footing for the monetary legislator is at best but an instrument of valuation that contracts and expands under the action of demand and supply, and it is as true of the monetary legislator as of the mariner, that constant vigilance is the price of safety. And the safety of the money interests of commerce lies in keeping money under the constant protection of wise laws.

Such then are, in brief, the grounds upon which I have felt it necessary in presenting a list of modern publications concerning money, to warn the student against error by vindicating to the jurist and to the statesman a jurisdiction in the doctrine of money, by the side of that of the professed economist.

It remains, however, to anticipate a reply which will naturally occur to one who has pinned his faith upon the postulates which I seek to refute. I desire to say clearly, therefore, that the position here ascribed to law in the learning of money in no sense demands the exclusion of a single one of the other elements of this learning which I seek to set forth in this list. The entire tide of human action, the entire material of which political and economic science treat, have, of course, been elements of the conflict of forces of which the monetary status at any given time is the outcome. The position of law is merely that of the seeing eye, the guiding hand, the will directly, specially, to the maintenance of money.

Law alone has acted with constant and effective force in one general direction to this end.

Amid a wilderness of conditions the law has been a cause.

In a state of quiescence one may remain ignorant of the persistent force of monetary law; just as one can remain unconscious of the force of gravitation. But the force is there, and the maxim, ignorant of the law excuses no one, is also in force in both cases. The innocence with which one may slip from a precipice or stand in the way of an avalanche is no preservative against death from such attempts to ignore the force of gravitation; and, like gravitation, the power of law can be effective

although its activity may not be apparent. It can be active by what, from a partial point of view, would seem merely passive, negative, mere acts of omission.

It is strange to what an extent some thinkers have been blinded to this truth; as if a statute any more than a granite boulder could lose its weight by lying still!

An illustration close at hand will perhaps clear up this contrast between conditions and a cause. A quarter of a century ago when Australian and Californian gold, added to the outflow of Siberia, threatened to bear down to permanent depreciation the entire stock of the world's money, France and England were called upon by certain thinkers to demonetize gold. It could have been done. English and French statutes had as much power to outlaw gold in England and in France, as had the statutes of Holland and the statutes of Belgium to exclude it from legal tender in those states. Parliament and Emperor could have passed the statutes, had they desired it. They refused to do it. The old statutes remained in force. They maintained gold in its monetary privileges, and they *saved gold*. But for statutes, to be read in the books which I have cited, gold would have been where silver is to-day.

And yet, as I have said, merely because the statutes had been in force for a long time it is not uncommon to hear that in the presence of the gold discoveries, law was powerless!

Of course it should be understood that while law remained a cause there was a change of monetary conditions; the discovery of the gold fields and their colonization, like these laws which maintained gold, were also acts, and of course they cannot be left out of account, but there was in them no centralized power moulding the institution of money to definite ends. Add to the secrets of the earth the nature of man, with his adventurous spirit of gain, and Australia and California are accounted for. Swarms of men sought profit in exhuming the yellow metal from untrodden fields. But would they have sought it as they did if the yellow metal had not been money? In any event the monetary policy of the world remained in the hands of its laws.

I may in conclusion glance at a truth which has been permitted to assume in the eyes of thinkers proportions so exaggerated as to obscure other truths more important. Monetary laws have been passed by grêat states and yet have shown themselves powerless. Upon the statute books of England, of

France, of the United States, are monetary laws which have, for a generation at a time, remained to a large extent a dead letter.

What bearing has left this fact upon the position of law in the doctrine of money? To this I answer, that these facts are entirely in accord with the doctrine I have stated. This point is the favourite stumbling-block of the two extremes in this great controversy concerning the nature of money; the orthodox "free-trader" in monetary science, who knows no law, but that of "commerce," on the one side, and on the other the "fiat money man," who sees nothing in money but a "sign of the will of the Czar."*

In matters of money as elsewhere the strong rules the weak.

An enactment that conflicts with the habits and interests of the citizen is not as successful as one which enlists these habits and interests on its side. In like manner an enactment of one nation which is in conflict with the remainder of its laws, or which is in opposition to the stronger laws of other nations, will naturally fail to attain its avowed purpose. Its avowed purpose, or the purposes imputed to it, is, in a word, not the test of its power. The question whether this or that enactment will exert a certain influence upon the demand or supply of money is not, as the two extremists would suppose, a question of phraseology, but a question of fact. For example, the laws of legal tender a few years ago made the gold dollar a legal tender at par with greenbacks in New York, and the greenback dollar a legal tender at par with gold in San Francisco. In New York it was the greenback and not the gold dollar, while in California it was the gold dollar and not the greenback which circulated. And yet this fact is not derogatory to the views I have stated.

But in answering the inquiry, what is the wisest coinage policy for the United States, I can perhaps even more forcibly illustrate the sincerity of the views here stated. Since the silver question came to the foreground in 1876, I have endeavoured to point out not merely the unwisdom but the danger of coining any silver at all in the United States; and I did this in the interest of Bi-metallic Union.

Free coinage here while Europe rejected silver would mean silver mono-metallism in time and a temporary success for gold

* In a paper on "Extremes of opinion on the causation of the value of money, or the *Laissez faire* theory and Iwan Possoschkow," printed in an appendix to "Silver and Gold," 1877, I have tried fully to set forth this contrast.

mono-metallism in Europe; and to create a demand for silver here was in fact to delay that process of education by which Europe was prepared to profit, unless we should relieve her for a time of the necessity of study.

A law for restoration of silver on a par with gold in our coinage, while it would be nominally bi-metallic legislation, would thus only further the ends of mono-metallism, while the true policy for the time was to remain mono-metallic in practice, coining only gold, but to become bi-metallic in precept, exerting a vigorous and aggressive influence to convince Europe by the logic of domestic disaster, as well as by argument, that the wisest course for her own interest was to join the United States in the concurrent restoration of silver.

APPENDIX IV.

FILED BY MR. DANA HORTON.

(*Notice of it given at the Fifth Sitting, p.* 110.)

THE RATIO OF 15½ IN FRANCE.

At the opening of the sixth session of the Conference of 1878, in pursuance of an announcement on the part of the President, M. Ruau presented as an exhibit the Declaration of 1785, by which the ratio of 15½ was first established in France.

To not a few students of money this fact will first be made known through this announcement.

In an important work on the Production of the Precious Metals, just published, Professor Soetbeer, the Monetary Counsellor of Germany, marks this announcement of M. Say as an event of importance in monetary discussion.

"It is well known," he says, "that the ratio of 15½ to 1 has been of late accounted to a certain extent the normal relation, inasmuch as it lies at the basis of the double standard in the countries of the franc, and as the prices of silver have, on the average, remained close to this ratio throughout the first seven decades of our century, and in view also of the fact that the transition from the silver valuation to the gold valuation in Germany has taken place upon this basis. The French Monetary Law of 1803 has hitherto been almost invariably regarded as the starting-point of this opinion. The French Minister of Finance, Léon Say, has, however, employed the occasion of the International Monetary Conference in August, 1878, to point out, by reprinting an older French Ordinance of October 30th,

1785, that the recognition of this ratio had already taken place eighteen years before. Article I. of this ordinance is as follows," etc., etc.*

Although allusions to the recoinage at 15½ in 1785 may be found in one of Gallatin's writings of forty years ago, as well as in Chevalier's *La Monnaie*, and in one of Cernuschi's works, yet, for the general reader, Dr. Soetbeer has certainly not overrated the novelty of the information presented by M. Say and M. Ruau.

In general monetary discussion, not only is French Bi-metallism identified with the Law of 7 *Germinal*, XI., but 1803 is regarded as the date of the birth of the ratio of 15½.

Now, the law of 1803 has been the great bone of contention over which the battle of the standards has raged in France, and as France has herself been, so to speak, the chief theatre of the Continental conflict on monetary subjects, which has been going on for a quarter of a century, it is not unnatural that to the great mass, both of lookers-on and of combatants, the law of 1803 should occupy a position of commanding interest.

Did the law of 1803, by implication, ordain what the American law of 1793 did explicitly? Did it "put the standard in the two metals," or was silver the real standard and gold merely a brilliant satellite of silver?

The importance of the question, the intensity of feeling which it excited, may most aptly be suggested by the eloquent words of the first elaborate and comprehensive treatise ever written on money—I refer, of course, to Chevalier's *La Monnaie* (see pages 220 and 221, ed. 1866)—in which the distinguished author, appealing to the law of 1803, vindicated the right, "inalienable, imprescriptible, absolute," of the holder of French National bonds to have them paid in francs of 5 grains of silver $\frac{9}{10}$ fine, and scornfully rejected the claim of francs of gold ever to be the measure of the obligations of France.

Now, in the controversies waged over this law of 1803, one point has been accepted, namely, that in 1803 15½ was really the rate of exchange of the metals in the market. It is safe to say that by members of the various great commissions instituted by the Second Empire of Napoleon, that great edifice of ambition which was to have been crowned with metric and monetary unifi-

* From Soetbeer, Edellmetall-Production. Gotha, Perthes, 1879, page 130.

cation centering in Paris, it has not been questioned that the ratio of 15½ was not created arbitrarily, but was adopted because it was recognized as an "economic fact;" because, in the movement of the world's supply and demand for the metals, respectively, 15½ was the "normal" point of equilibrium, so that the fixing of a ratio by French law, was, in point of fact, a mere echo of "commerce;" that it was merely a ratification of the market rate of exchange between the metals as bullion, which had been fixed by commerce *independently of the influence of French law itself.*

Now the monetary questions of to-day resolve themselves, on final analysis, into the assertion or denial that governmental policy sensibly affects the demand and may regulate the ratio of exchange of the metals; and it is plain that if the French legislator had chosen a ratio which was not the ratio of the market, an opportunity would have been given to study the effect of the introduction of free bi-metallic coinage, with a minimum mint-charge, in the country which held a larger stock of the precious metals than any other two of the civilized nations; while the admission of the French legal ratio was, in fact, merely transferred from the market to the statute-book deprives controversy of the benefit of this test.

It is evident then that, apart from the mere question of history, a point of considerable interest in monetary doctrine is involved in this matter of the adoption of 15½.

When, therefore, the attention of the monetary public is called to the fact that the ratio of 15½ was established in 1785, not in 1803, is it not natural that the elastic faith of the monetary public should be ready to assume that what was believed to be true before should remain true, that the French legislator had not wandered from the teachings of what French thinkers maintained to be those of science, and hence that 15½ was the market ratio in 1785 as well as in 1803? Circumstances seem to warrant this inference. The statement of the President of the Conference, on page 57, clearly points in this direction, while some expressions of the learned Chief Delegate of Switzerland in the Conference touch directly upon the point. The reader will find on page 82 an allusion of M. Feer-Herzog to 15½ as the extremely fortunate or happy (*heureux*) ratio which France had adopted in 1785, while on page 81 the learned Delegate deliberately attacks the American ratio of 15, adopted in 1793,

because it was too low, and imputes peculiar motives to Alexander Hamilton for choosing 15, when he should, in M. Feer-Herzog's view, have chosen a higher ratio, persumably 15½, or something near it. (*See* also page 460.)

But the reader has already remarked the comments of Professor Soetbeer on this point. He will observe that after noting how the ratio of 15½ had come to be regarded as "normal" from 1800 to 1870, this pre-eminent monetary authority alludes to the event to which M. Say called attention *as a recognition* of the ratio of 15½ in 1785. Of course, if the law of 1785 was a mere "recognition," it was a recognition of an existing fact; there must have been an existing market ratio of 15½ to be recognized, and, if this be true, the faith of the monetary public in the fidelity of the law of 1803 to the market rate may be safely transferred to the law of 1785.

Now, in addition to the historical and economic interest attaching to this subject, the question thus apparently taken for granted in quarters in which tone is given to public opinion has in a certain sense an international character.

The criticism of national monetary policy of the past is necessarily the school in which the monetary statesman of today must learn the lessons of experience.

If the natural assumption of which I have spoken, namely, that 15½ was the market ratio in and after 1785, be correct, it is plain that the United States, in adopting the ratio of 15 in 1792, committed an error of policy* only equaled by the recoinage of gold at 16 in 1834-37.†

On the other hand, if the ratio of 15½ was not the ratio of the market, the policy of France becomes the subject of investigation; and if the ratio of 15 were then economically the fit one, anything derogatory to it is not only unjustified, but, withal, is *crimen læsæ majestatis;* not merely because it was the choice of Alexander Hamilton, but also because from a metrical point of view, 15 to 1 is, through its relation to the decimal system, the most convenient ratio which has been within reach of mankind in modern times, and hence *per se* preferable to 15½.

But not only is the character of the monetary policy of these two great states at stake, but that of England also. If, after 1785, gold stood at a price in Paris so high, as compared with the English ratio 15·21, that there was profit not only in sending

* *See* page 460. † *See* page 685.

gold in preference to silver to Paris, but that there was profit in importing silver from France into England to be coined into English money, how was it that this natural movement did not take place, that this natural "course of events" was turned away, and never claimed the name of action? How was it that not until 1798 did the rise of gold above 15·21 bring about the appearance of silver at the English mints?

In presence of queries like these, so likely to arise if the study of monetary policy be further pursued, so necessary to be solved if the lessons of experience are to be rightly read, it seemed useful to supplement the information for which the monetary student is indebted to Messieurs. Say and Ruau concerning the Declaration of 1785, by setting forth more in detail the motives and character of this important measure, and also, if possible, to present some information concerning the market ratio of the metals between 1785 and 1803.

Strange to say, this latter question, thus raised, strikes with hollow sound upon one of the empty spaces of modern monetary literature.

No one has apparently sought to collect material in order to answer the question categorically; nor, indeed, has any attempt come to my knowledge to compile any table of the rates of exchange of bullion in the market of Paris such as Soetbeer published for Hamburg in 1855, and such as was compiled by Mr. Ingham for London in 1830. (*See* pages 708 and 647.) But more than this, the French monetary literature of that early date has suffered from not unnatural neglect.

In fact, both Chevalier and Wolowski, the well-known leaders of French thought, the one in his *La Monnaie*, the other in his *L'Or et l'Argent*, would seem to date the important scientific activity of France with 1803, and to treat what preceded 1803 merely as a preparation for, and purely in reference to, the law of 1803. And, strange to say, both of them mark the beginning of this preparation with a great speech of Mirabeau of December, 1790.

Under these circumstances, it seemed proper to present to the reader, in more voluminous extracts than would otherwise be necessary, two documents of date anterior to that of Mirabeau's speech, which not only define the policy of the recoinage of 1785, but throw light upon the law of 1803. One of these documents, in fact, presents the defence of this very measure,

the recoinage of 1785, by the acute and accomplished statesman of the old régime who designed and executed it; while the second contains a mature criticism of it, made in 1790, by a Commission selected by the Committee of the National Assembly, and eminently qualified to represent French monetary science.

I should explain, also, that further reasons counselled the enlargement of the extracts to be made from these documents.

It was but just to the memory of the Finance Minister of Louis XVI. that in calling attention, after the lapse of a century, to the vices which contemporary opinion had found in this measure for which he was responsible, sufficient space should be allowed to set forth the main points of his brilliant defence of it; while, at the same time, the light which portions of these documents throw upon the inner workings of the Feudal or Seigniorial System of Coinage, in contrast with that which is known to-day, will, it is hoped, fully justify their full presentation to the modern reader, if indeed their intrinsic merit be not sufficient to insure their favourable reception on other grounds. To these documents I have added some notes on the address of Mirabeau, and extracts from the second report of the Minister of Finance under whose auspices the Law of 1803 was passed; which latter sets forth, among other things, the controlling reasons for maintaining the ratio of 15½ in preference to adopting that of 15.

NOTE.—I find that I stated the concession made by the Bank of England too absolutely at page vi. of my Preface. The *Bank* did not agree *absolutely* to hold one-fifth of its metallic reserve in silver, but promised that it would do so *if* France and the United States would agree to coin silver without limit. As these States have *not* come to this agreement, the promise of the Bank does not take effect at present. The actual words used by the Bank are—"The Bank of England, agreeably with the Act

of 1844, will be always open to the purchase of silver under the conditions above described."

These conditions are "the return of the Mints of other countries to such rules as would ensure the certainty of conversion of gold into silver and silver into gold."

Mr. Grenfell wishes me also to add that he has not been *recently* converted to bi-metallism as might be thought from the expression "the conversion of Messrs. Grenfell and Gibbs" at p. iv. of my Preface, but that he has held for some years the opinions expressed in his preface to Mr. Gibbs' pamphlet.—A. C. T.

SIXTH SITTING.

SATURDAY, 14th MAY, 1881.

The Sitting was opened at two o'clock.

M. Cernuschi (Delegate of France) asked to be allowed to complete a statement which he had made in the last sitting on the subject of the profits which certain states of the Latin Union had been able to realize from the limited coinage of five-franc pieces. This profit had only been obtained on pieces coined with silver bought at inferior rates; for example, at 1 to 17, or 1 to 18, outside the Latin Union, in Germany, for instance, and which had been afterwards changed for gold in France according to the legal proportion of 1 to 15½. It was right to remark that the pieces coined under these conditions represented an insignificant fraction of the total amount of five-franc pieces struck in Italy. An official statistical document which M. Cernuschi placed on the table of the Conference (*see* Appendix I. to the present proceedings) established in fact that silver coined by the Italian Government from 1862 to 1879 did not come from the purchases made in foreign countries, but from the re-minting of the former coins of the different Italian States.

M. Cernuschi read the list of questions which he wished to address, according to the intention which he had announced in the last sitting, to the delegates of Great Britain, British India, and Canada.

It was decided that this list of questions should be printed and distributed to the members of the Conference. (*See* Appendix II. to the present proceedings.)

The general discussion of the list of questions was then resumed.

M. Denormandie (Delegate of France) said M. Pirmez sought to establish that the Conference was not competent for the work to which it had been devoted. He stated that it was contrary to the true principles of economy; contrary to liberal ideas to wish to fix by agreement at an invariable rate the relation between

gold and silver; and that such an arrangement, even if it were concluded, would be impossible to be carried out by the state which might sign the convocation. It would, therefore, be necessary to enquire exactly what money was, without enquiring theoretically whether it was a commodity or not. One could, from a practical point of view, define it as a value which suits the greatest number of our possible needs—in one word, an universal instrument of exchange. The conditions which it ought to possess are known to all. It must be easily transferable; more easily acceptable than the different objects of which it takes the place; it ought also to be homogeneous; easily divisable into small fractions, formed of a sufficiently resisting material; it must also be able to receive without difficulty the durable imprint which becomes, to some extent, its title of nobility. Money thus constituted appears in the history of humanity at the same time with the first traces of civilization. In the beginning the still barbarous nations exchanged commodities for commodities. Gold and silver which had already been discovered only served as ornaments. But this primitive *régime* did not survive the savage state. As soon as the sciences and the arts had made some progress, as soon as society was constituted, monetary principles became developed. Gold and silver were elevated to the state of money. This was evidently the result of a common understanding, of a general consent, of a kind of convention; but under what form was not known, although the fact of the consensus was not doubtful. Without doubt, in the past no international arrangement fixing the reciprocal relations of gold and silver could be found; but this was because there was then no common life among the nations; because their relations were those of rivalry and struggle, not relations of harmony and of mutual understanding, because the quantity of the precious metals in circulation in the world was extremely small; because there was then no fixity in the laws; because monetary legislation, like all legislation, was given up to the caprices of power, and because there was not a single year when, in one point or another, money had not been altered in weight, in standard, and in value. Under the reign of Louis the XIV. alone, there had been in France not less than fifty edicts on the subject of money. Stability was, therefore, wanting, and with it the first and essential condition of any convention. Now-a-days everything was changed. Great in-

tellectual, moral, and social progress, prodigious development of all the powers of humanity have from the very beginning marked this disturbed, but glorious century in which we live. Society has become settled and regulated; immortal discoveries have transfigured the world; commercial affairs have been developed in a manner without example; the nations have formed relations more and more pacific, more and more intimate. All these relations are regulated by international arrangements, treaties of commerce, treaties of navigation, railway treaties, telegraph treaties, etc. There is not a single day on which one of the Parliaments of Europe has not to deliberate on some diplomatic document having for its object to regulate the international relations of nations, and money, which is the base and guarantee of all these relations, could not possibly be excluded from the domain of diplomatic conventions. Money has, however, already become the subject matter of international transactions; for in our country this legislation, formerly uncertain, is now complete and fixed. The relation of 1 to 15½ between the two metals has been imposed by practice and by the force of things. It has become the rule in France from the end of last century, and the rule in international relations in virtue, not of a treaty, but of a constant custom and an agreement of fact. Such has been the situation up to the last few years. The general observation of the rule of 15½ had guaranteed monetary security to the Continent for many years. We know how much this favourable state of things has become modified. Under the Empire the equilibrium was rendered unstable and was broken. The past stability gave place to deep disturbances, to an uneasiness which no one disputes, and which demands an immediate remedy. Can this remedy be effected by a Conference, and what is it to be? At present we do not know; but what seems beyond doubt is that it is useful, necessary, and urgent to work at preparing for it. It is that, in seeking to make a basis for it, the Conference is within its competence, within its right, and almost within its duty. We must next examine the interest which commerce may have in the solution of the monetary problem in one sense or the other. If we study with reference to this the history of the last fifty years, if we try to understand the causes and the effects of the different economic crises which have marked the last half century, we arrive at very significant conclusions. We find that credit has been less

tried in the bi-metallic than in the mono-metallic countries, and we see proved by the facts, with crushing evidence, the superiority of the double standard to the single standard.

In 1837-8-9 a violent crisis occurred in America. The Federal Treasury withdrew its deposits from the Bank of the United States, and to re-establish the circulation, it inundated the English market with American paper. The position became very difficult in London, and the metallic reserves of the Bank of England fell from 200 millions [£8,000,000] to 75 millions of francs [£3,000,000]. This first example proves what influence the monetary legislation of one country can exercise over the intensity of crises, and to what shocks the mono-metallist markets are exposed, such as that of London. In 1837, the Bank of England was forced to have recourse to the Bank of France, which lent it 50 millions of francs [£2,000,000] in bills of credit, and which, thanks to the bi-metallic French system, felt very slightly the shock of the catastrophe which had happened in New York and in London. In 1847 the harvest crisis occurred, common to the two countries. In England they suspended the Act of 1844, which limited the time of bills to thirty days, and numerous failures disturbed the market, and the rate of discount rose to 8 per cent. In France, the crisis was promptly diminished by the sale to Russia of National Stocks to the amount of 50 millions of francs [£2,000,000], and the rate of discount was maintained at 5 per cent.

In 1857, a new monetary crisis, the result of the American crisis, occurred in France as in England, and this time also it was much less intense on this side of the Channel than on the other. The Bank of France was forced to raise its rate of discount to 10 per cent., but only during fifteen days, while the Bank of England, the whole of whose gold was drained by the United States, saw itself compelled to maintain its rate of discount at the excessive rate of 10 per cent. during six weeks. In October, 1860, it was no longer gold, but silver which was deficient in the Bank of England. The latter asked the Bank of France for it, and the Bank of France, thanks to French bi-metallism, was able to send to London 52 millions [£2,080,000] of fine silver in exchange for the same sum in gold. In 1861, Russia, in her turn, sought to procure silver in order to coin subsidiary money. It was to the Bank of

France that she also addressed herself; and the Bank, rich in the two metals, on account of the French monetary system, was able to furnish to the Russian Treasury 31 millions [£1,240,000] of fine silver for an equal sum in gold Imperials. In 1864, the cotton crisis was common to France and to England, and caused in both countries a rise in the rate of discount; but this dearness of money was much more marked in England than in France. In 1866, a new monetary crisis declared itself in consequence of the exaggerated and imprudent development of limited liability companies. The Bank of England, affected by the withdrawal of specie and by the exhaustion of its note reserve, again obtained the suspension of the Act of 1844, and the rate of discount varied, from the month of January to the month of July following, between 6, 8, and 10 per cent. During this same year the average rate of discount in the Bank of France did not exceed 4½ per cent.

Thus in all these crises, which occurred at such different times and in such different circumstances, we see that the Bank of France was less tried than the Bank of England. In 45 years, from 1837 to 1881, the former only modified its rate of discount 100 times, the latter had to vary it 292 times. The ability which France possessed to have recourse alternatively or simultaneously to the two metals permitted her not only to employ the one or the other according to circumstances, and to neutralize the effects of their excessive scarcity, but also to come to the assistance, not without profit for herself, of those of her neighbours who ran short at one time of gold and at another time of silver. The Bank of France was able, like a vast reservoir of coin, to satisfy the demands which were made to it from different sides; and this situation, equally profitable to all, was maintained without alteration as long as the coinage of silver remained free. Since the coinage has been suspended the state of things is greatly modified, and France finds itself threatened in its real richness, in its metallic richness, by the play of that balance of commerce of which M. Pirmez seeks in vain to deny the power. If we examine the Customs statistics, we find that from 1876 to 1880 the general commerce of France represented 21 milliards 335 millions [£853,400,000] of importations, and only 6 milliards 821 millions [£272,840,000] of exportations; the excess of importations is therefore 4 milliards 514 millions [£180,560,000]. Do we know what has been the influence of this fact on the move-

ment of the precious metals and on the reserves of the Bank of France? It is this. In 1876, France had imported 598 millions of francs [£23,920,000] in gold; in 1880, she imported only 194 millions of francs [£7,760,000]. In 1876, she exported only 94 millions of francs [£3,760,000]; in 1880, she exported 413 millions [£16,520,000]. The constitution of the reserve of the Bank of France was modified in the same proportions. It was composed in 1876 of 1539 millions of francs [£61,560,000] in gold and of 640 millons [£25,600,000] of silver. In 1880, it was 564 millions [£22,560,000] in gold and 1222 millions [£48,880,000] in silver. It had, therefore, lost in these five years 975 millions [£39,000,000] in gold, and gained 582 millions [£23,280,000] in silver; and this was not, as M. Pirmez thinks, the result of a simple substitution of one metal for another in internal circulation, it was a true exportation, for the arrivals of gold in the United States permit us to follow almost steamer by steamer from the other side of the Atlantic the effect of the withdrawals of coin made at the Bank of France.

Many people in France ask with anxiety what will be the result of this Conference? They say that if, contrary to all expectation, a Conference like this does not arrive at any practical results, silver may be for a long time, if not always, completely discredited. They ask what will be in this case the situation of countries placed under the *régime* of paper-money? They fear that, if in consequence of the discrediting of silver, the civilized world finds itself reduced to the exclusive use of gold, it may be threatened in the future, more or less near, with a scarcity of coin. It is impossible to say that one metal will suffice to meet the constantly-increasing requirements of the world. Who can foresee, with a restricted metallic circulation, the consequences of a financial catastrophe, of a scarcity—of a deficit in the production of gold? The banks would be obliged to raise their rate of discount to defend their reserves, and this raising of the rate of discount in the present state of the European markets, and with a single metal might rapidly assume the proportions of a disaster. We cannot count on any increase in the production of gold in order to meet this danger. This production rather diminishes than increases. It was, in 1850, about one milliard [£40,000,000] per annum; it is now reduced to one half, and nothing authorizes us to suppose that it is likely to increase again in the face of this marked decrease in gold. It

would be rash to make the whole commercial world, the interests of all, and almost the fate of humanity, depend exclusively on it. Nature has given us the two precious metals. She has offered them almost always close together, and very often combined. Sooner or later the return to the simultaneous employment of the two metals in one, to the rehabilitation of silver, will impose itself as an absolute necessity on the legislator. It is good policy not to wait for this crisis, but to foresee it and to forestall it.

M. Pierson (Delegate of Holland) wished to answer M. Broch and M. Pirmez, and to say that it seemed to him that the greater part of the objections made to bi-metallism re-acted on those who made them, and became, in reality, arguments in favour of the simultaneous employment of the two metals. Bi-metallism has been denounced as contrary to economic science, has been reproached with resting on the legal determination, of a relative value between the two metals. But this is not what bi-metallists really say. They know well that the law can do nothing against the reality of things—against facts, against economic principles—and they do not mean that the law ought to regulate the relative value between the two commodities; they simply maintain that the law can exercise a certain rule not over the value itself, but over the causes which determine the relative value between gold and silver. Now this influence of law is admitted by the mono-metallists themselves, and especially by M. Pirmez, for wishing to reassure the Conference on the situation of the countries with a halting standard, he maintained that the present proportion between the pieces of gold and the crowns of five francs would be maintained without alteration as long as the law continued to forbid the free coinage of silver. The bi-metallic law of 1 to 15½ does not regulate or create the relative values between gold and silver; it confines itself to stating, to recognizing, and to proclaiming the comparative utility of these two metals which serve the same end in different degrees.

The mono-metallists insist, it is true, that if this principle were true, bi-metallists could fix just as well the proportion of the two metals at 1 to 2 or 7 to 100, as 1 to 15½; because their system has as its basis an arbitrary valuation of the comparative usefulness of the two metals. The mono-metallists forget that the comparative value of the two metals is not

determined only by their employment as money, on which the legislator exercises a considerable influence, but also by their employment in industry which completely evades his action. They lose sight also of the fact that the bi-metallist legislator, in fixing the proportion of 1 to 15½, has been content to adopt existing facts and to render legal the proportion indicated by commerce itself, and that this proportion has maintained itself without alteration during nearly a century up to the very recent time when altogether exceptional circumstances have caused it to be altered.

Another objection made is the preference which the public would give to gold and which might lead quickly to the abandonment of the proportion established by law; but this preference of the public for gold is not so general, so certain, or so marked as is alleged. Certain facts authorize us to doubt it. Thus, in many agricultural districts of Holland the peasants will not take gold; because gold pieces are not convenient either for petty commerce or for the payment of small salaries. Gold does not answer the wants of any but a small minority of the inhabitants of countries or of rich landlords. It is too heavy for large payments, and it is in this case usefully replaced by notes or by cheques; it is on the other hand too difficult to divide to be used in small transactions for which silver will always be preferred. Is it thought that the preference of the public for gold will suffice to place gold at a premium? It could be at a premium only with the co-operation of the privileged banks, if these accept the payment of the same sum with a smaller quantity of monetary units in silver. But these banks, at least in Europe, are too directly placed under the influence of the state for them to be able to think of adopting a procedure of this kind, being as they are at the side and under the authority of a bi-metallist legislator. The bi-metallists cite also the Gresham law, according to which when a country has the double standard system, and the real relation between the values of the two metals does not correspond to the legal relation, it is always the depreciated metal which gets rid of the other; but we cannot believe that the appreciated metal will continue indefinitely to migrate to the country where its value is increased, without causing a plethora of it there which will, in its turn, depreciate it. The Gresham law, no doubt, opposes the establishment of a

bi-metallic system in a small group of states; but not in a territory which embraces all the most civilized countries of the world. There, on the contrary, it will only prevent the real value of the metals from differing from their legal value.

Another objection may be answered in the same way, namely, that bi-metallism is contrary to common right and to equity, for it permits a debtor to acquit in silver a debt contracted in gold—that is to say, to repay the metal which is at a premium with a metal which is depreciated. It is sufficient to remark that if debtors adopted the custom of paying their debts with a depreciated metal, the very depreciation of this latter would disappear on account of the increased demand which would be made for it. There are no serious inconveniences in adopting bi-metallism; but there would be serious perils in making mono-metallism prevalent. It is certain that the better of these two systems ought, in order to become efficacious, to be adopted and applied everywhere. Can we hope that this will be so? If we were certain of it, the consequences would be most serious. There is in the European and American circulation a sum of 4 milliards [£160,000,000] of silver pieces which do not possess their legal value; there are in addition about 2 milliards [£80,000,000] of notes and of paper money repayable in gold or in silver. It cannot be denied that if these 6 or 7 milliards [£240,000,000] of silver or of paper were converted into gold, there would be a risk of an immediate and terrible rise in the price of gold, and, in consequence, a crisis without parallel.

M. Broch (Delegate of Norway) wished to speak of the calculations which the Russian Delegate had made with regard to the quantity of coin in gold which would be needed for paper money countries to resume specie payments. M. de Thörner estimated the sum of money necessary at 35 francs [£1. 8*s*. 4*d*.] per head. This seemed too much; the quantity of coin in gold, including gold ingots in the vaults of the banks, is 25 francs [£1] per head in the Scandinavian states. These states on account of the chiefly agricultural character of their population are in a situation much like the average of Italy and Russia, and even of Austria-Hungary. If we adopt for these three great kingdoms an average proportion of 25 francs, instead of 35 francs, we shall only require 4 milliards [£160,000,000] to return to a metallic circulation with a gold standard instead of 6 milliards

[£240,000,000]. It is the same in Italy, which with a proportion of 25 francs per head would require 700 millions of francs [£28,000,000] in gold, but now only requires 400 millions [£16,000,000]; and this would be considerably reduced directly after the loan, by means of transfers of funds to foreign countries.

On the other hand, it is certain that the sum of gold necessary for circulation should be reduced by not dividing gold coins to excess as has been wrongly done and by replacing the pieces of 5 and 10 francs and 5 and 10 marks in gold by pieces of the same value in silver. The pieces of gold of small diameter are very little appreciated by the public. They wear away quickly and are easily lost. But a considerable quantity of them has been manufactured. In France 211 millions of francs [£8,440,000] in pieces of 5 francs and 965 millions [£38,600,000] in pieces of 10 francs; in Germany 35 millions of francs [£1,400,000] in pieces of 5 marks and 556 millions [£22,240,000] in pieces of 10 marks; there have been struck altogether 250 million pieces of 5 francs, of 5 marks, of one dollar, and about 2 milliards [2,000 millions] of pieces of 10 francs, of 10 marks, and of 10 shillings. It would be useful to withdraw these pieces from circulation, except a certain quantity of pieces of 10 francs, of 10 marks, and 10 shillings, which might be used in the interior of each country without having the character of international money. The demonetized coins might be re-melted and transformed into pieces of 20 francs, whilst silver would be substituted for gold for the manufacture of the pieces which had not a greater value than 5 or 10 monetary units.

Of all the European states with a paper-money system, that which now most engages our attention is Italy, because it is the next to resume specie payments. We can only be astonished that, having to procure not Italian subsidiary money, which it can find in sufficient quantity at the Bank of France, and which would serve to pay off 300 millions of francs [£12,000,000] of small notes, but 400 millions of francs [£16,000,000] in gold for the repayment of the large notes, Italy still remains attached to the principle of bi-metallism, at the risk of closing against itself by this fact two of the greatest markets in the world—those of England and Germany, which will never admit the double standard. England and Germany have made declarations on this point which leave room for no

doubt. If there are in these countries economists, learned men, and men of position, who pronounce in favour of bi-metallism, there are not on the other hand any statesmen of any credit who dare to propose the unlimited coinage of silver.* These two powerful empires are definitely given over to gold mono-metallism. The countries which open their mints to silver or which give unlimited legal-tender power to silver, debar themselves by this act from access to the markets of countries with a gold standard, or condemn themselves, at least, to conditions of marked inferiority. The bi-metallic states, it is true, think that they will annex to their system the vast empire of India, which is now silver mono-metallist. It is probable, in fact, that this transformation of the Indian monetary *régime* will some day be made, but it is not desirable that it should be made at once, for it would have for invariable result the influx into Europe of a part of the enormous mass of silver with which India is saturated and the withdrawal to India of a certain quantity of European gold. To sum up, universal bi-metallism is not possible; for in Asia, India and China are silver mono-metallist, and in Europe, two of the greatest powers are determined to remain gold mono-metallists. If Germany and England will not join— or, at least, one of them, as M. Cernuschi said at the beginning of the Conference—bi-metallism is impracticable. What then does he mean by the bi-metallism of two of which he now suggests the adoption? The United States could agree to this system, because in their character of great exporters of commodities payable in bills on London, they are certain to always keep large quantities of gold. They could also agree to it, because they would not be exposed to an influx of silver. They are too great producers of silver for Europe to be able to send them that metal, which, on the contrary, they would furnish to Europe. The time approaches also when the United States, sufficiently provided with coin, will not have to ask Europe for any, and when

* M. Broch forgets that we have already in the British Empire the unlimited coinage of silver, viz., at Calcutta. England *is* bi-metallic in the sense that she coins *both* gold and silver without limit, although it is in different parts of her empire that she does this. All we want to make England completely bi-metallic is the fixed ratio between gold and silver: and that ratio France and America can give us if they will only do so. Other nations should remember, before reproaching us with opposition to bi-metallism, that the English Government is *the only Government* which now coins silver freely for all comers (at Calcutta), and that the stoppage of the coinage of silver in India would be as great a blow to France and America as the repeal of the Bland Bill would be to England.—A. C. T.

to repay themselves for their export of food, grains, and raw materials to Europe, they will have to ask in exchange for larger and larger quantities of manufactured products or of European securities; but in either hypothesis they will not be of any use to Europe for the consumption of its depreciated silver. Already the banks of the United States have, since November, 1878, made a mutual engagement not to receive silver coins in account current, even those which have legal tender in the market.*

The bi-metallists raise, it is true, an objection against the exclusive employment of the gold standard which M. Denormandie has reproduced at the end of his address, and which deserves attention. They state the fear that the quantity of gold which actually exists in the world, and that which can be extracted each year will not suffice to meet the needs of Europe and the United States, and that the scarcity of coin may have, as a consequence, a disastrous fall in prices. Already some chiefs of the bi-metallic school say a gold famine is beginning, and this simple threat has contributed to a great extent to the enormous fall of all prices which has been produced in Europe during the last five years. The actual fall of prices is not a cause of uneasiness, it is rather healthy. It is not in any way a consequence of the scarcity of gold, either more or less imminent; it is a simple reaction as legitimate as necessary against the exaggerated rise in prices which, from 1872 to 1876, had to a certain extent affected all commodities. As regards this rise of 1872, which was to a great extent fictitious, all will remember what was the cause of it. It began from the unhappy movement of the milliards, unhappy specially for those states where it gave rise to the illusion of inexhaustible riches and served as an excuse for a sudden and abnormal rise in prices, less disastrous, perhaps, even useful, in a certain measure, for that country which was harshly recalled to ideas of liberal thrift and economy, the sure and imperishable resources of national riches. We have now got rid of this fever of the milliards as in 1837 to 1840; the fall which has at last followed has corrected the exaggerations of the rise which preceded it. But this fall has not

* Against this, see Mr. Barr Robertson's letter in the *Times* of 22nd September, 1881. He shows that out of 91 million standard silver dollars coined up to June 30, 1881, 67 million dollars were owned by the public, and only 24 millions by the United States Government. This can hardly be called a failure.—A. C. T.

exceeded the necessary limits, and we have only returned to our point of departure. We have, therefore, no ground for considering it as a disastrous result of a pretended monetary scarcity, or to threaten Europe with a gold famine; I therefore consider that the necessary solution of the question is that Europe and the United States should accept the gold standard, and that silver should be reduced to the wants of the internal commerce of the different countries as subsidiary money.

The general discussion on the list of questions was postponed to Tuesday, 17th May, at 1.30 p.m.

The Sitting ceased at 5 p.m.

APPENDIX I.

SILVER COINS STRUCK IN ITALY FROM 1862 TO 1879 (INCLUSIVE).

			Francs.
Silver coins at $\frac{835}{1000}$	struck from	1862 to 1868	156,000,000
,, ,, $\frac{900}{1000}$	,,	1862 to 1879	364,637,025
Total coinage of silver			520,637,025

The coinage of subsidiary money was suspended in 1868.

Gross amount of the silver coins of former Governments withdrawn from circulation from 1862 to 1879 :—

539,419,839 francs.

Deduct 520,637,025 coined for the kingdom of Italy.

Difference 18,782,814

A considerable part of this last sum represents the loss which the Italian treasury sustained from the re-mintage of the former silver coinage.

APPENDIX II.

QUESTIONS ADDRESSED TO THE DELEGATES OF GREAT BRITAIN, OF BRITISH INDIA, AND OF CANADA, BY M. HENRI CERNUSCHI, DELEGATE OF FRANCE.

Questions relating to England.

I.

Had not any Englishman and any person of no matter what nationality a right, till 1874, of converting at Paris into 5-franc pieces either his plate or any quantity of silver, and was he not able with the 5-franc pieces thus obtained, to buy in France, bills on London payable in gold ?

II.

Is it not the fact that the monetary par between Paris and London results from the comparison between the quantity of fine gold existing in the sovereign and in the 20-franc piece?

III.

Does it not follow that the 5-franc silver pieces having forced circulation in France at par with the 20-franc gold pieces, bills on London are just as obtainable with silver francs as with gold francs?

IV.

Does it not follow that any foreigner possessing silver could thus indirectly convert his metal into gold sovereigns at the French rate of $15\frac{1}{2}$, that is to say, $60\frac{13}{16}$*d.* per ounce, less the expense involved in the operation?

V.

Does it not follow that the value of silver expressed in gold was everywhere, till 1874, determined by the French law which established the ratio of 1 to $15\frac{1}{2}$ between the value of the two metals?

VI.

Was not the clause in the Bank Act of 1844 empowering the Bank of England to issue, as representing a certain quantity of silver, bank notes repayable at sight in gold, justified by this fact of silver being always convertible into gold at Paris at the rate of $15\frac{1}{2}$?

VII.

Did not Sir Robert Peel himself declare in the House of Commons on the 20th May, 1844, that the silver thus lying at the Bank of England acted exactly as if it were gold?

VIII.

Is it not the fact that the issue of bank notes representing silver ceases to be justifiable from the moment when, by the disappearance of French bi-metallism, silver is no longer convertible into gold at Paris at a fixed par?

IX.

Did not Sir Robert Peel acknowledge, in his speech of the 20th May, 1844, that it was inconvenient for England to have a monetary metal different from that of other countries?

X.

Would not England be in a very difficult position if no nation except herself allowed forced circulation to gold?

XI.

If it is convenient that national money should (as regards material) be international money, is not the best money that whose internationality is the most extensive?

XII.

Was not silver till 1816 universal money?

XIII.

Would England's creditors have been injured if, at the time the ounce of silver at London had a fixed value in relation to gold, instead of being paid in gold they had been paid in silver, especially if silver had been coinable at London as it was at Paris?

XIV.

In other words, if Sir Robert Peel, instead of the limited bi-metallism sanctioned by the Bank Act of 1844, had carried a complete bi-metallic law as in France, would the holders of contracts previously concluded in gold have suffered any loss?

XV.

Is not the old silver coin of France, Germany, and Holland still at the par of 15½ with gold?

XVI.

Is it not evident that if England adhered in 1881 to international bi-metallism, the creditors in gold would be no more injured than the creditors prior to 1844 would have been, if at that date bi-metallism had been established in England?

XVII.

Did not Sir Isaac Newton, as Master of the London Mint, demonstrate in his report to the Lords Commissioners of the Treasury, dated 21st September, 1717, that if the legal ratio between gold and silver was the same in England and on the Continent, it would no longer be anybody's interest to export or to import one metal rather than the other?

Questions relating to India.

XVIII.

Is it not the fact that the law being gold mono-metallic in England, and silver mono-metallic in India, English merchants having to send silver to Asia in payment of what they owed, were always forced till 1874, if no silver arrived at London, to apply to the Continent for it?

XIX.

Is it not the fact that generally speaking the silver mono-metallic states of the Continent were not capable of supplying silver to England, the gold they would have received in payment not having forced circulation with them?

XX.

Is it not the fact that it was to bi-metallic France the English had to apply in order to get silver in exchange for their gold, and that they were thus exposed to paying an agio on silver, that is to say, to giving rather more than one kilogramme of gold to procure 15½ kilogrammes of silver? And is it not the fact that if silver arrived at London and they had no payments to make in India, the English offered rather more than 15½ of silver to France to get 1 of gold?

XXI.

Is it not the fact that the cost of mintage at Calcutta and Bombay amounts to 2 per cent.; that before the opening of the Suez Canal, the freight for monetary metals between London and Calcutta or Bombay amounted to 2 per cent., and that the voyage being longer the loss of interest on the metal transported was greater than at present?

XXII.

Supposing India had been gold mono-metallic like England, would not the limit of oscillation in the exchange have been, with the cost of brokerage, transport, and mintage, between 5 and 6 per cent. below par and 5 or 6 per cent. above, so that £100 to be paid or received in India would have been worth in the London market from about £94 to £106, according as one of the two countries was more or less the creditor of the other?

XXIII.

Could these oscillations of exchange between 94 and 106 have been avoided, seeing that instead of having a single metal as common money, India is silver mono-metallic and England gold mono-metallic?

XXIV.

Had not these oscillations of exchange the effect of making the quotation of silver at London oscillate with relation to gold?

XXV.

Were not the oscillations of the Anglo-Asiatic exchange, and consequently the oscillations in the quotation of silver, from the date of the opening of the Suez Canal until 1874, slighter than they were previously?

XXVI.

Subject to these oscillations and subject to some rare variations due to the dissimilarity of legislation, were not the value of the rupee and the quotation of silver maintained at London till 1874 at 1*s*. $10\frac{5}{8}$*d*. and at $60\frac{13}{16}$*d*.?

XXVII.

Silver not being a monetary metal in England, was it not there merely a metallic remittance which could not remain on the spot without losing interest, but the quotation of which was only subject to the limited oscillations to which all letters of exchange are liable?

XXVIII.

Were the Calcutta and Bombay bankers able, on selling their bills upon London, to require more rupees than were

involved in the French ratio of 1 to 15½ between the two metals?

XXIX.

Was not the buyer of the bills guaranteed against the exactions of the bankers by the possibility of forwarding the rupees to Paris, where silver was of right worth 15½ compared with gold?

XXX.

Was not the price of the bills on India sold in London by the Indian Government always conformable with the ratio 15½, subject to the oscillations of exchange?

XXXI.

Has not the disappearance of French bi-metallism had the effect of making the rupee lose its old value compared with gold?

XXXII.

Has not the disappearance of French bi-metallism been disastrous to the Indian Treasury?

XXXIII.

How many rupees has the loss on exchange cost the Indian Treasury from the year 1874 to 1881?

XXXIV.

At how many rupees is estimated the loss by exchange for the year 1881-82?

Question relating to Canada.

XXXV.

If the United States adopt in accord with Europe a bi-metallic legislation, is it not the interest of Canada to follow the example of the United States?

General Questions.

XXXVI.

Is it not sufficient to cite the great fluctuations in the price of silver at London from 1874 as proof that there is no longer any great country where bi-metallic legislation is in operation ?

XXXVII.

Is it not sufficient, on the contrary, to cite the rates of silver at London during the years prior to 1874, to show that at least in a great country well supplied with gold and silver the monetary law in force was bi-metallic at 15½ ?

XXXVIII.

Is it not the fact that what is called the market of the precious metals changes its tone according as monetary legislations change ?

XXXIX.

Is it possible to demonstrate that under a decided bi-metallic legislation the relative value of the two monetary metals can evade the power of the written law ?

XL.

Can it be questioned that if the legislation of a single great country sufficed to maintain for nearly a century the relative value fixed by it between the two metals, the same result will not be still more easily obtained by a legislative accord between several great countries ?

XLI.

Considering that the English Government has declared it would refuse to introduce bi-metallism into India, considering that one of the conditions of the bi-metallic programme consists in postponing *sine diè* the introduction of gold money into India, and that consequently on this point both sides are agreed, one

asks wherein would consist the co-operation which the English Government still offers for assisting in the re-establishment of the value of silver?

XLII.

Would there be any disadvantage for England, and if so what, if she adopted international bi-metallism at the same time as the Continent and the United States?

Observations.

In order to render clearer Questions XIII. to XVI., which meet two objections which are always made in England to those who propose to make the coinage of silver as free as that of gold (in the international proportion of 15½), I reproduce the following passage from an address which I gave at the Social Science Congress held at Liverpool in October, 1876:

"1st. The English sovereign will lose its value, its purchasing power will be less, if silver is admitted into circulation as an unlimited legal tender. This is a mistake. If silver could really be driven out of circulation, the value of gold would increase. If silver had never been in circulation, the value of gold would have been, and would be, greater than it is. But silver has always been in circulation, it has always been in rivalry with the value of gold; it is always circulating, and gold has already completely undergone the reduction which this rivalry could effect in its value: it has no longer anything to fear. Although silver did not circulate in England, the value of English gold has never been able to avoid the effects of the rivalry of silver. The proof of this is that the value of English gold has never been greater than that of French gold, which circulated side by side with silver. With French bi-metallism the gold sovereign was worth in silver 15½ times its own weight, exactly like the gold franc. It will be the same with International bi-metallism. The circulation of silver as unlimited legal tender will therefore have no effect on the value of the sovereign.

"2nd. Breach of Faith. English creditors have made their agreements in gold, they are paid in silver, they are injured. This is a poor scruple. They would be injured if the sum of

silver was worth less than the sum of gold: but they are not injured if the two sums are exactly equivalent, and international bi-metallism creates this equivalence. The French creditor never cared whether he would be paid in gold or in silver: he has always been indifferent to the colour of the metal. The English creditor will be so too."*

* In his pamphlet—"Questions addressed to the British and Belgian Delegates," M. Cernuschi places these "Observations" as a note to Question XVI., but in the official proceedings they are placed at the end, and I have, therefore, followed this arrangement. The text as given in the two places differs slightly. I have translated literally from that given in the "Proceedings."—A. C. T.

SEVENTH SITTING.

TUESDAY, 17th MAY, 1881.

M. Dumas (Delegate of France) and M. Luzzatti (Delegate of Italy) were absent from this Sitting.

The Sitting commenced at 2 p.m.

M. Seismit-Doda (First Delegate of Italy) placed on the table of the Conference a note intended to reply, at least in part, to the request for statistical information made by M. Cernuschi in the Fourth Sitting. (*See* Appendix I. to the present Sitting.)

M. Cernuschi read out a list of special questions which he addressed to the Delegates of Belgium.

It was determined that this document should be printed and distributed. (*See* Appendix II. to the present Sitting.)

Mr. Dana Horton also placed on the table the list of historical questions of which he had given notice in the preceding Sitting.

It was decided to print and distribute this document also. (*See* Appendix III. to the present Sitting.)

The Delegate of Norway proceeded to add to the list of statistical questions prepared by M. Cernuschi, a request for the following information: "The Governments are requested to be good enough to furnish, for as far back as possible in the past, and, if they can, year by year, detailed information on the gold and silver coins deposited for exchange in their mints with specification of the number of the coins, by kinds and by date of production."

It was agreed that this question should be printed and distributed.

The general discussion was then resumed.

Mr. Howe (Delegate of the United States) said: If the idea has obtained anywhere, or with anyone, that the Government of the United States urges upon the nations a bi-metallic coinage, in order to provide a market for its silver, I wish to say, with considerable emphasis, the idea is a mistaken one.

Silver is, indeed, produced *in* the United States, but not *by* the United States. The mines within her borders have yielded in the nine years from 1871 to 1879 inclusive, something less than 264 million dollars of silver. That is less than an annual yield of 33 millions. But the Government does not work or own those mines. They are as free to the enterprise of a European as to that of an American. It is doubtful if they are a source of national wealth. A few great bonanzas have been discovered, which yield large profits. But well-informed persons are of the opinion that, in the aggregate, more money has been invested in her silver mines, than has been realized from them. Well-informed persons are *not* of the opinion that the Government of the United States is legislating or negotiating in the interest of those who own the bonanzas. Well-informed persons are of opinion that the proprietors of the bonanzas can take care of themselves. Well-informed persons are of opinion that the wheat crop of a single state is worth more than the silver crop of all the states. When the Government wants silver for any purpose, it can always buy silver at the market price. It should not be forgotten that the Government of the United States has contracted debts to the amount of nearly two thousand millions [£400,000,000]. That is nearly equal to sixty years product of our mines. The debts of the United States are payable in dollars. A dollar is a specific thing, accurately defined by statute. The weight and fineness are strictly limited. It may be made either of gold or of silver. If made of silver, it must contain 412½ grains. If it weighs but 411 grains, it is not a dollar, and so is not deliverable. If, on the contrary, it weighs a pound, it is not a dollar, and so is not deliverable. Should the wisdom of the world combine to depreciate silver to ten cents an ounce, there is no provision in our statute, and no clause in the contract, requiring the Government to pay in gold dollars. I am not authorized to say the Government *would* elect to pay in gold dollars. I have indeed been told recently, by authority for which I have very high respect, that if the Government should choose to deliver silver at 412½ grains to the dollar, it would be compelled to take silver from all the world at the same rate! That is not so writ in the bond. Should the learned doctors impose that condition upon us, we shall doubtless comply; but it is hardly probable they will impose it!

Our Government, therefore, has no call to bull the market for silver. Nor has that Government any occasion to be envious of the popularity of gold. In the same nine years the mines within her borders yielded 55,000,000 [£11,000,000] more of gold than of silver.

It is not easy to depreciate one metal without appreciating the other. Could state-craft discover some subtle alchemy which would transmute the silver of the world into dross to-morrow, I leave it to the economist to say how much less, or how much greater, would be the purchasing power of our annual gold product than is the power of both products now. But, whether greater or less, it must be conceded that the Government of the United States has no call to bull or bear the bullion market in either metal.

Other and greater interests concern that Government. Our people are farmers, not miners. They work a cheap and generous soil, under a genial climate. Our cotton crop in 1879 was valued at 242 million dollars [£48,400,000]. That is more than seven times the annual yield of our silver mines. The wheat crop for the same year was valued at 407 millions [£81,400,000], which is more than twelve times an average silver crop. The maize was valued at 580 millions [£116,000,000]. That is more than eight times the average of a year's product of both metals, and almost eighteen times the average of a year's product of silver. The aggregate value of our agriculture for that year was computed at 2,240,000,000 dollars [£448,000,000]!

Doubtless we are selfish, but not necessarily silly: at least, not unnecessarily silly. Statesmen will be slow to believe the Government of the United States has turned its back upon these enormous interests, in order to storm European sentiment on behalf of that comparatively petty interest embarked in silver mining.

We do not seek a pinched market, pining for our so-called precious metals. We rather wish to find a busy and lusty *world*, to help consume the *really* precious fruits of our agriculture. We seek a *thrifty* world to pay for them.

It is the profound belief of that Government that no such world is possible if its money is to be limited to a single metal.

If, indeed, money had no other office but to measure values, and if the world had contracted no debts, perhaps it would not much matter whether one or both the metals were employed in

coinage. Such is not our happy condition. On the contrary, debts have been contracted—public and private. The debts of the principal nations are returned at nearly thirty thousand millions of dollars [£6,000,000,000].

It is of infinite concern that those debts shall be paid. They can only be paid by the sale of commodities. Commodities can be sold only at the market value. When those debts were contracted the value of commodities was measured by a money standard which comprised both metals.

The money of the world is to-day bi-metallic. True; but one metal is employed here and only the other there: but the great fact remains that both are employed somewhere.

Silver in India helps to sustain prices in England, while the gold in England performs the same office in India. To enforce the payment of existing indebtedness after either of the metals shall have been abstracted from the standard of value, is an experiment which I ardently hope will not be attempted during my lifetime.

But money performs an office other and higher than that of measuring values. It is the great instrumentality by which commodities are exchanged. For that great office both the metals are inadequate. Ages of experience have proved that. Accordingly, we see to-day in all great commercial countries, the coin circulation is supplemented by paper issues. In some, the amount of such issues is limited by the law of convertibility: in others, no such limit can be imposed. I do not now remember one truly commercial country which has not, in the course of a century, been forced upon paper issues, beyond the limit of convertibility.

The demand for circulation grows with the world's increasing trade. We are in no danger of inundation from the precious metals. Enormous lines of railways being unrolled upon both hemispheres, great fleets of steam-driven ships, traversing all our seas, reveal a commerce, gigantic to be sure, but it is young. It is substantially the growth of but little more than two decades. If statesmen of the present time do not strangle the future, this child of twenty years will prove the mother of a commerce which defies calculation and appals prophecy. When we shall find a redundant coinage, it will not be caused by prolific mines, but by stagnant trade. And when trade is crippled production halts. Men will not sweat to produce what they cannot consume

nor sell. And it is not to be forgotten that the demonetization of silver means the retirement of not only nearly half the world's coin circulation, but of more than half of its convertible paper issues. It means to double the weight of existing obligations, and to compress the world's activities into half their existing scope. It means to consign the nineteenth century to a pauper's grave, and to lay the heavy hand of paralysis on the cradle of the twentieth.

It is, therefore, gratifying to remember that every state, represented in that Conference which assembled in this city in 1878, joined in the cry—"It is necessary to maintain in the world the monetary functions of silver as well as those of gold." Such was the solemn judgment of that great assembly of notables. Germany was not represented in that Conference, but the sentiments avowed by her delegate here leave no room to doubt she would have concurred in that admonition had she been present. The Conference did not say it was expedient; they declared it ***necessary*** to maintain in the world the monetary functions of silver.

There is no need to say, that so long as the world maintains the monetary functions of silver as well as gold, the money of the world will be bi-metallic, not mono-metallic. Mono-metallism, whether as a theory or a practical system, was condemned by the Conference of 1878. It was condemned not only by the final judgment of the tribunal, in the resolution from which I have just quoted, but it was condemned by the timely and precious utterances of some delegates supposed to be most favourable to a gold standard. Thus Mr. Goschen, from England, held this energetic language:—"I merely desired to combat the theory of the economists who demand the universal adoption of the single gold standard, a measure which, in my view, might be the cause of the greatest disaster. I maintain my assertions in this connection absolutely. I believe that it would be a great misfortune if a propaganda against silver should succeed, and I protest against the theory according to which this metal must be excluded from the monetary systems of the world."

On another day the same eminent authority said:—"A campaign against silver would be extremely dangerous, ***even for countries with a gold standard;***" and on the same occasion he asked with an energy quite justified by the importance of the question: "If all states should resolve on the adoption of a gold standard,

would there be sufficient gold for the purpose without a tremendous crisis?"

In the final report made by the English Delegates to the Lords Commissioners of the Treasury, they commended their own labours in that Conference in these words:—"We trust we may be considered to have made some contributions towards averting what might be a suicidal tendency in several quarters to hasten the disuse of silver as currency."

Those eminent gentlemen spoke too timidly of their own merits. They spoke too tenderly of that fatal tendency which they combated. If that tendency was suicidal, why not murderous also? If it would be fatal to the commercial life of Germany or of the United States to hasten the disuse of silver, why not fatal to the commercial life of Great Britain also? "A campaign against silver," said Mr. Goschen, "would be extremely dangerous even for countries with a gold standard." The earnest protests of the British Delegates not only "contributed to arrest" that campaign—they arrested it. The whole armament was disbanded.

I do not forget that Mr. Goschen emphatically declared it would be impossible for him and his colleagues "to support any declaration in favour of a double standard."

To be sure not. Bi-metallism is a name. The British Delegates disowned it. What they stoutly insisted upon was, *not* a *bi-metallic* standard, but a standard comprising *two metals!*

England said in 1878 what she had said for more than fifty years:—*We will not maintain the monetary functions of silver in the kingdom; but she said, with great emphasis, those functions must be maintained in the world.*

This last sentiment was echoed by the whole Conference. Mono-metallism was condemned by the unanimous verdict of that Conference.

But if it be truly necessary that the monetary functions of silver as well as those of gold should be maintained, it seems quite rational to conclude some one must maintain them.

Who shall assume the duty of maintaining silver, and who shall maintain gold?

The favourite method of meeting that necessity seems to be to divide the two metals among the nations, assigning silver to this and gold to that; to make partition of the standard of value.

We read of a conclave of statesmen who some centuries ago sat down to make partition of Christ's raiment.

However equitably the parcels were distributed, we may be sure the integrity of the suit was destroyed.

And however fairly these two metals may be divided between the nations, it is quite certain the integrity of the standard of value will be destroyed.

I think I might say, without danger of contradiction from any lawyer here, that a common standard of value is not the subject of partition—that the nations hold it, not as tenants in common, but as joint tenants.

I waive that suggestion. We know—the world knows to its cost—that the *two metals* can be divided, whatever may become of the standard of value.

Very well; let us proceed to the division. Having resolved that the world must have both metals, and that no country ought to attempt to maintain both, let us abandon the attempt to form a bi-metallic union, and resolve ourselves into a commission for actual partition. To whom, then, shall we assign silver, to whom, gold? The professors of monetary science tell us there is a scientific principle upon which the partition may be made. Unhappily they do not agree as to that principle. In one school we are taught that gold should be maintained by the rich nations, and silver by the poor. In another we are taught that gold should be assigned to the Western nations, and silver to the Eastern. Either principle in application would lead to awkward results. This Conference would probably have too much regard for economic truth to assign Germany, Holland, Italy, France, and the United States to the category of poor nations, and surely too much regard to geographic truth to assign any of them to the category of Eastern nations. Either principle, therefore, would require those five states to throw down the silver standard, and take up the gold standard. Anyone can calculate for himself what a supply of silver would thereby be thrown upon the market, and what a demand for gold would be made upon it. Under such a movement, the question of Mr. Goschen recurs with portentous significance—can the gold be had without a *tremendous crisis?* The Conference of 1878 wisely, as I must think, declined the work of actual partition. It affirmed the necessity for maintaining the monetary functions of silver as well as those of gold, but left the duty of maintaining either to volunteers. Their language was: "The selection for use of one or the other of

these two metals, or of both simultaneously, should be governed by the special situation of each state or group of states." That system has been tried, and has signally failed. The volunteers do use silver, but do not maintain its monetary functions. It is the function of money to measure and determine values. Silver as employed by the volunteers does not determine values; on the contrary, it confuses values. It confounds them. It is self-contradictory. It reports one thing on one day, and another thing on the day following. Such is the situation, as I understand it, with which we are confronted. Silver must be maintained in the standard of values. Left to the voluntary choice of nations, it is not so maintained. We have no common Parliament, empowered to say who must and who need not maintain it. What shall be done?

The Government of the United States steps forward to say frankly and in good faith: we recognize this common necessity affirmed by the Conference of 1878. We are ready to do our full share to meet it: we will stand side by side with other states represented here, in maintaining the monetary functions of both metals; we will concert with you the proper relations between the two; we will open our mints to the coinage of both such rates as we shall together deem just, and upon that ratio we will hold each to be the peer of the other in all our trade, domestic and foreign. If any fairer way of meeting this acknowledged necessity exists, I have not heard it and I cannot conceive it.

And now for a moment let me consider the objections urged against this way. I shall do the cause of the remonstrants no injustice if I assume that no serious defect is likely to be found in our plan which has not been revealed by the very able delegate from Belgium. I have tried to comprehend his argument as well as I could by the aid of a very diligent and, I hope, faithful translation. What is the argument? First he assures us we have aggravated the nature of the malady to be treated, and wholly mistaken its locality. He has been through the hospital with evident care. He divides the patients into three groups, consisting first of the gold-standard states; second, of the paper-money states; and third, of the states having really a gold standard, but pieced out with bi-metallic rags! The first group, he assures us, are well: never better. The second, though ailing, he argues, plausibly, would not be benefited by

our prescription of a two-metal standard, because at present they can keep neither metal on their stomachs. The third group he admits to be feeble, even crippled; but if worth treating at all are not to be benefited by the treatment proposed, but only injured thereby.

Accepting for the moment that report of the condition of the hospital, I respectfully submit it is not well for the family of states, not even for those favoured members who now lie in the middle of the bed, warm and dewy, under the protecting folds of that blanket which is supposed to be woven from the golden fleece, when so many of their sisters lie uncovered, freezing and stiffening by their side. Sooner or later the death damps must penetrate to the very centre of the couch.

But has not the honourable delegate himself fatally mistaken, not only the nature of the malady, but the location of it? To me it seems a disease not peculiar to this state or that, to this organization or the other. It seems to me rather a disease which has fastened upon an interest, or if you please, an industry common to all States.

What is the disease? It is not that ten Indian rupees are not equal to an English sovereign. It is not that 15½ ounces of silver, of the French or American standard, will not buy an ounce of gold in the London market. The trade of the world would readily adjust itself to any given ratio between the two metals, if that ratio could be once fixed. The difficulty is, the ratio is not fixed. It is oscillating; it is sensitive; it is influenced not merely by the acts but by the threats of every state. Look at the facts.

That ratio fluctuated during the year 1878 between 17·14 to 1, and 19 to 1. In 1877 the vibrations were less. In 1876 they were much greater. According to the Director of the United States Mint, the relative value at London in January was 16·10 to 1; and in July following it was 19·48 to 1. Such a vibration must make trade giddy. Other authorities make the oscillation still greater. But we are told, if silver went down, gold went up; and how does that hurt the gold states? Considered merely as owners of coin, that did not hurt them at all. But, in the next six months, the rates flew from 19·48 to 1 to 16·50 to 1! How did the gold-owners enjoy that?

That is, however, a very narrow view to take of the subject. We must not forget that it was the standard by which commodities

are valued, which underwent such violent oscillations. If quantity is to be measured by a standard which alternately expands and contracts, what matter who holds the standard at any given point of time? The great point is to sell when the measure is smallest, and to buy when it is largest. The standard of value is not applied in the same way as the standard of measure; and so it is true that oscillations in the former do affect him who holds the standard as well as all who buy and sell according to it. We must remember that the states whose representatives deliberate here, conduct an enormous exchange of commodities in the course of a year. The Year-Book returns their aggregate exports for the year 1878 at 771,245,699 pounds sterling, and their imports at 929,140,677 pounds. The statement is avowedly but quite partial as to five of the countries. We are therefore forced to conclude that our common constituents bought and sold, during the year 1876, commodities to the aggregate value of nearly 2,000,000,000 pounds sterling; valued by a standard composed of two metals, one of which fell during the first six months of the year from 16·10 to 19·48 to 1 and during the last six months, swung nearly the whole way back again.

Only he who knows that the merchants of his country always bought when the standard of value was shortest, and always sold when it was longest, can say with confidence that his countrymen were always happy; and the man who knows that is *not* a delegate here.

I protest I have no wish to propagate hypocondria in this assembly, and yet I cannot quite accept the clean bill of health given by the honourable Delegate from Belgium to the so-called gold standard states.

I think it safer to conclude with Mr. Goschen, that whatever policy depreciates silver does meuace the gold states. I cannot avoid the conclusion that whenever you tamper with the standard of value, you do menace every state and every human being who uses it.

I, therefore, recommend bi-metallism, not as specially needed by one state or another, but as essential to the integrity of that standard by which you determine the value of every commodity which the world buys or sells.

Still we are cautioned against the prescription. We are told bi-metallism will knock away the bulkheads which now confine silver to a part of the world, and will inundate the whole world;

that upon states which now have too much silver, it will pour more, and upon states which have none, it will pour too much.

We are even amused with the conceit that France and the United States are conspiring for a bi-metallic union, each chuckling over the idea that it will, by its aid, unload its silver upon the other. We are encouraged to believe that as soon as a common rate has been established for silver in all markets, cargoes of five-franc pieces will leave Havre to be coined into dollars by the United States, and cargoes of dollars will leave New York to be coined into five-franc pieces by France! We are even startled with the idea, that so soon as all the sovereignties represented here have decreed a common par between gold and silver throughout their dominions, Indian rupees will put on their boots and start for Liverpool, while British sovereigns will take wing for Calcutta! I disbelieve all such transmigration. I doubt the practicability of creating a brisk trade between markets remote from each other, by exchanging things which have precisely the same office and the same value in both!

But why endeavour to fix a par between silver and gold? we are asked. It can only be done by pulling down gold as much as we elevate silver. Precisely. The object is to unite them both in one standard. If you were to sever a muscle of your leg and send for a surgeon to close it, you would hardly expect him to object, that it could only be done by drawing down the upper section as much as the lower was elevated! The point is to have them unite.

The same general idea found expression by the honourable delegate from Belgium, when he said in 1878, "You do not facilitate transportation when you lash a fast boat to a slow one; you retard one as much as you accelerate the other."

Beyond all question. But if your freight consists of a single parcel which cannot be loaded on one boat, can you contrive a better expedient than to lash the boats together? A commerce of enormous bulk is embarked upon these two metals. When a seam opens between, then fortunes disappear. Is it not better to lash them together?

But we are told they cannot be lashed together—that the laws of trade defy political regulations, and that whatever states may decree, only intrinsic value can give authority to money.

All history refutes this assumption; but let it be conceded: has not utility some authority over intrinsic value? And what

beside air and water is more useful than money, with which all debts may be discharged, all injuries redressed, and all things which move in the air or on the earth, or through the waters under the earth, may be bought and sold? When Europe and America shall have combined to confer this universal, incessant, imperious utility alike upon two coins, the broker will as soon think of asking boot when swapping pins, as of earning commissions by the exchange of those coins.

Very well: I conclude with Lady Macbeth, that if we fail, "we fail." But, in view of recent history, one who ventures upon the domain of prophecy should move with caution. Only fourteen years ago a Conference assembled in this city, representing nineteen States, including France and the United States, unanimously recommended the universal adoption of a gold standard! Only three years ago another Conference, with equal unanimity, resolved that the monetary functions of both metals *must* be maintained! All we have surely learned since is, that the plan proposed by that Conference for maintaining the functions of both is abortive. It is evident that the next thing to be tried is, in the language of the Circus, "something else."

In this connection it is important to remember that the plan now proposed is, that of a union upon perfectly equal terms. I venture to predict we shall have that or nothing.

I have listened with interest, but wholly without sympathy, to the various suggestions which have been offered for the relief of the silver market. I heard the candid statement made by the honourable delegate from Germany, in the opening of these deliberations, to the effect that the Empire will proceed with caution in making future sales of her silver, and may possibly be willing to coin a few more discredited millions. I heard the encouraging suggestion of M. Pirmez, that when Italy shall resume specie payments, we who are limping with an excess of silver may shove some five-franc pieces on to her. I listened to the flattering idea of Dr. Broch, that we may be able to stack up more millions in India and the East. I have even heard it whispered that rather than see us poor cripples actually sink, some of the gold standard states might, in some generous Christian mood, consent to carry a little more of this leprous silver! It is all very kindly meant, but I respectfully submit it is a mistaken kindness. Let me repeat once more: the United States Government does not seek a better market for a depre-

ciated coin. Its purpose is to reform your standard of value by extirpating from it all depreciated coins. We do not wish to load any of our sister States: we wish rather to unload them all. We invite you to a union which will eradicate depreciated coin from our monetary system. If you cannot accept our invitation, do not seduce us into a union to perpetuate the reign of such coin.

The people who sent us here have sought a stable standard of value with great diligence. To them it is of the first importance. They are farmers, not traders. Seventy-six per cent. of their annual earnings are from the soil. They have but one seed-time and one harvest. If it be important to the British merchant that the standard of value should not change while his cargo is going from Liverpool to Brazil, much more is it important to the farmers of the United States, who in the spring time invest a thousand millions in one venture, that the standard of value does not decline before they have gathered and marketed their harvest.

I fear Europe does not remember through what sacrifices our people have sought stability for that standard which measures the cost of every planting, and the value of every crop. Let me remind you. Less than twenty years ago our people were doing business with a paper circulation, depreciated until three dollars would but little more than purchase one of coin. You remember to what a dizzy height prices mounted. Enormous taxes were levied upon the people annually. Our interest account rose to more than 143 million dollars [£28,600,000] a-year. Our pension list is more than 40 millions [£8,000,000]. Since the war closed in 1865 our annual taxes have defrayed our annual expenditures, and have, besides, paid off more than 800 million dollars [£160,000,000] of the national debt, and during all that time prices have been subjected to that remorseless compression which results from steady contraction of the circulation.

No man has bought who did not know he would sell to a shrunken market. No man has planted who did not know that the standard which measured the cost of his seed and his labour would by no means be accepted to measure the value of his crop. We have trod the wine-press. We hoped we had achieved the victory. Neither Treasury nor bank has a note on the market which will not command coin on presentation.

Still we have not found the stable standard which we sought. It no longer oscillates from the presence of a depreciated paper, but from the presence of a depreciated coin.

If, as is so confidently predicted, we are to leave this Conference crowned with defeat, it is not for me to say what course our people will take, for I do not know. It is hardly probable a people who have endured so long will faint so near the end. They have fondly hoped, with the aid of their sister states, to forge a single standard from a double coinage. If that aid is denied, they may possibly persist in the effort, alone to hold the two metals in equipoise, while half the states are jumping on one and half on the other. But that is very difficult; and if you persuade them at last, that they must surrender one metal, and that the only blanket which can give warmth is the golden one, they may conclude to throw away all bi-metallic rags and seek for a part of that blanket.

I know quite well that the only condition upon which we can hope to share that blanket is, that we sell to the world more than we buy from it; and I know, as M. Pirmez has reminded us, how delusive these reported balances of trade may be. But our people produce food, and food is a prime necessity to all industry. We shall, therefore, hope to continue to trade with the world upon *some* terms; and, besides, when I learn that during the last fiscal year, the deposits of gold at the Mints and Assay offices of the United States, included not only thirty-five millions [£7,000,000] of domestic production, but 62,550,837 dollars [£12,510,167] of foreign coin and bullion, I am persuaded that, what *we* call the balance of trade, is something better than a delusion.

M. Vrolik (Delegate of Holland) said: I do not hesitate to declare to you that I am among the number of those converted entirely to bi-metallism. I will give you as short an account as possible of the phases through which the monetary system has passed in our country; and how, at last, we have arrived at bi-metallism. I have been occupied with the monetary system for more than forty years. When the united provinces of the Netherlands and Belgium were re-united under one single sceptre, these two countries had an immense variety of coins, for formerly almost every province arrogated to itself the right to coin. A monetary law was passed in 1816, under King William I. Its aim was to establish a circulation having the

ancient florin, called the florin of the 200 ás, as an unit; but, at the same time, a gold piece of 10 florins was admitted. The florin contained 9 grs. 613 milligrams of silver; the piece of 10 florins contained 6 grs. ·056 milligrams of gold. The proportion was 1 to 15·873. It is to be regretted that it was thus decided to take a proportion differing from that of 15½, which existed in France. Besides this, to meet the wishes of the inhabitants of Belgium, the franc was admitted into the public treasuries, but at too high a rate. It was accepted at 47¼ cents, although it was really only worth 46·8 cents. The result was, as M. Pirmez has remarked, that the new pieces of 3 florins quitted the Brussels mint, and went off to the Lille mint, in order to return from it under the form of 5-franc pieces.

The law was executed leniently. They also coined pieces in gold, and in proportion as they coined gold, it became more and more difficult to coin silver. The political events of 1830 followed—the separation of Belgium and Holland; the expenses of the war, and financial difficulties. It was only in 1844 that the re-minting of the old coins was seriously resumed and was executed with vigour. Already, in 1839, they had changed the monetary law. By the side of the old and worn silver pieces, they had the pieces of five or ten florins in gold, of which they had coined a quantity of the value of 172½ millions florins [£17,250,000]. The used and worn silver pieces could not be used for international transactions. It was gold which formed the basis of exchange. Exchange was regulated, not on the florin, but on the one-tenth part of the price of ten florins in gold. They thought they could obviate all these difficulties by adopting the florin of the actual weight of 10 grs., corresponding to the metrical decimal system, which we had already adopted a long time before, and of the fineness of $\frac{945}{1000}$th. As long as the pieces of gold remained in circulation—and they were of great use during the operation of re-minting—we had bi-metallism with the proportion of 1 to 15·504. From 1842 to 1849, 85¼ millions of florins [£8,525,000] (nominal value) were withdrawn and were re-coined into new pieces of silver. This operation cost eight millions of florins [£800,000] to the state of which more than seven millions [£700,000] was the loss on the nominal value of the worn coins.

Before commencing vigorously the re-mintage of our old coins, they had carefully weighed the question whether they

ought to adopt the gold standard or that of silver, while keeping gold up to the end of the re-mintage, to facilitate this important operation. They decided on silver. For more than a century and a-half the florin had been the unit of all transactions. They were not willing to have a unit which could not be paid except in subsidiary money. We decided in favour of silver, because it answers better to the character of our wealth, to the requirements of our ordinary needs. The directors of our greatest institution of credit, the Netherlands Bank, also declared against gold; first, on account of the necessity of joining with it a silver money of an intrinsic money value, and below its nominal value, and of which the necessary quantity might easily exceed by a great deal the estimates which had been made in advance; and also, because gold, on account of its great variability in value (this was in 1845), and of its more easy displacement, must necessarily cause more frequent oscillations in the price of stocks. In proportion as the re-mintage advanced, we became occupied with the necessity of instituting a single standard. By the law of the 26th September, 1847, the system of the simple silver standard was adopted. I mention this date so that you may see that our monetary legislation preceded the discovery of the auriferous deposits in California and in Australia. I think it necessary to state that it was not the fear of the depreciation of gold which served as a motive power; it was simply the expression of what experience has taught us. The simple silver standard having been judicially proclaimed, furnished all the inhabitants of the kingdom with the opportunity of ridding themselves of their gold. This opportunity was given them in the month of June, 1850. A sum of 50 millions,* not reaching to the one-third of the pieces struck, was presented by the public. It was sold in 1850 and 1851 by the Government, which lost on it a little more than one million.* In short, the Netherlands did not hesitate to sacrifice more than 10 millions of florins [£1,000,000] in order to withdraw all the old silver coins to replace them by new coins, and to arrive by the demonetization of gold at the simple silver standard. Before quitting this subject, permit me to tell you that the above-mentioned law of September, 1847, admitted (by the side of the legal silver pieces and the subsidiary coins) the coins of com-

* I presume M. Vrolik means florins here; if so, the amounts are £5,000,000 and £100,000.—A. C. T.

merce in gold. Besides the ducats which are still sometimes asked for, there were guillaumes, with double and half guillaumes. These pieces only showed their weight and their standard. It may be said that this system was a complete fiasco; although the guillaume d'or was struck at the same rate and at the same standard as the ancient piece of 10 florins, which was very much sought after, no one would take it. The uncertainty of its price rendered it unpopular. During the years 1851 and 1853, there were only coined of these pieces 10,000 guillaumes, 10,000 half guillaumes, and 2,636 double guillaumes; and, after 1853, no more pieces were coined. I thought it useful to call your attention to this point. From time to time this idea of coined ingots finds defenders; put in practice by us no one would take them, and it is probable that it would be the same anywhere else.

You will understand that we as silver mono-metallists were extremely pleased, when, having finished our demonetization of gold, the discoveries in California and Australia caused great apprehension and made everyone fear a probable fall in the value of gold. The price of silver remained in great transactions unaffected up to 1872; it was only in small transactions that it showed small differences from time to time. With us gold and silver are always sold by a calculation at the price of the pure metal and not at the price of the metal of a certain standard. Our legal prices are of a standard of $\frac{945}{1000}$ths, from which it follows that a kilogram of fine silver can be made into 105 florins 82 cents in florins or half-florins. Anyone has always been able, since 1847 up to 1872, that is to say for twenty-five years, to sell his silver to the Netherlands Bank at the price of 104 florins 65 cents; the bank kept 1 florin 17 cents as cost of manufacture, transport, etc. The price of silver at Amsterdam never changed and was in no wise affected by the production of the mines which oscillated very considerably in different years between 1850 and 1871, and varied from 742,000 to 1,152,800, or by nearly 70 per cent. If we consider this experience, can it be denied that the law has a preponderating influence on the prices of the metals, and that it is not only production and demand which regulate them. The quiet which Holland had enjoyed was roughly disturbed when Germany changed her monetary system and adopted the single gold standard. A Commission was nominated, of which I had the honor to be a

member, to advise what was to be done under these circumstances. It proposed to forbid the free coinage of silver. This was done by the law of 21st May, 1873. As long as we had any hope that Germany would adhere to bi-metallism the Commission proposed only to strike a gold piece by the side of the silver coins; when Germany adopted the simple gold standard, the Commission proposed to do the same. But this idea was not adopted by the States General, so that we now have a piece of gold of which the coinage is free by the side of pieces of silver of which the continuous coinage is prohibited; but both gold pieces and silver pieces have full legal-tender power. We have therefore what it has been agreed to call the halting system. No one believes that it is desirable to retain it. If it should ever happen that identical pieces which might have currency in a considerable group of states should be coined it would be the piece of 25 francs, which they would have specially in view. Our piece of 10 florins contains 6 grams 045 milligrams of fine gold. If they ever make the piece of 25 francs we could have struck a piece of 12 florins containing exactly the same quantity of fine gold as the piece of 25 francs. Holland wishes to join in all measures which can bring the different nations together without injuring each other's nationality. I would note also that when they began to strike the new gold pieces—and they have already coined more than 74 millions of florins [£7,400,000] of it—the price of gold acquired almost the same stability as that which silver had during the preceding period. This is how, having been for more than a quarter of a century à mono-metallist, I became by the force of circumstances a bi-metallist, but on the express condition that this system should be adopted and put in execution by a considerable group of states. All the world agrees that the depreciation and oscillations in the value of silver are a great misfortune for commerce, for industry, and the prosperity of all nations; but we are not in accord on the means of remedying this evil. The bi-metallists offer a remedy, a remedy which I consider efficacious, and at the present time the only one possible. The mono-metallists offer no remedy to overcome or even to diminish the existing evil, namely, the fall of silver. Of all the ardent defenders of gold, I have not heard one who can tell us what we ought to do if silver becomes useless. I thank the German Government, which, without abandoning the gold standard, wishes to undertake certain

engagements which may serve to arrest the fall in the price of silver. It is a step which the mono-metallists take towards us, and we must not neglect its importance. It is not true that gold ought to be the standard of the more civilized nations, and silver that of the less civilized. Gold serves to pay large sums —it serves for international transactions; silver serves for small payments. It is very natural that all those who have gold should prefer to fill their purses with gold pieces, and not with crowns; but I ask them to visit the markets—the shops of the bakers and of the wine-dealers—to ascertain whether silver has not an immense place in all the daily transactions of $\frac{19}{20}$ths at least, of the total population. Is it prudent to have nothing but subsidiary money for all these payments; and is it not better to have by the side of gold for great payments legal pieces of silver for small payments, rather than to have only a subsidiary money for all payments which cannot be made in gold? If this Conference ends in nothing, as mono-metallists predict, what will be the consequence to silver? It is clear that its value will be still more depreciated, and all present sufferings will be increased in a deplorable manner. I am sometimes afraid that our American colleagues, when they return home under the impression that Europe will do nothing to rehabilitate silver, will advise their Government to adopt the gold standard. Will the famous cloak of Prince Bismarck become larger, or will the struggles to cover oneself with it increase in a manner very disagreeable for those who sleep under this cloak? But on this point I am fully reassured by the remarkable address of Mr. Howe which we have just heard. The diminution in the value of silver and its great oscillations are a misfortune for all the world. These phenomena cannot be attributed to the increased production of silver; they are the results, already predicted in 1873 by our Monetary Commission, of the different legislative measures which followed after 1872. There is only one remedy: it is the adoption of bi-metallism by a considerable group of states. It is this conviction which has converted me to bi-metallism. I came to this Conference with the optimist hope that it would end in a result conformable to the aim which the states who invited us had. If, when we resume our labours, after an adjournment which many delegates wish for, we attain a result which will give back to silver the place which it had occupied for so long in all monetary transactions,

I think that we shall have deserved well of commerce, of industry, and of the welfare of humanity.

Sir Louis Mallet (First Delegate of British India) said: I ask leave to add a few observations to the general discussion of the question which is occupying our attention before the close of the Sitting, in order to explain to the Conference the position which the Government of India, whose representative I am, occupies with regard to the proposals of the two Governments who have assembled the Conference.

The position which my colleague and myself occupy here is altogether exceptional. The Government of India is not even invited to join the Bi-metallic Union which has been proposed. On the contrary, if I am correctly informed, all that is expected of us, so long as England stands aloof, which from the commencement of the negotiations was well known to everybody, is to make no change in the existing monetary system of the Indian Empire.

We are authorized to respond to this desire to the following extent—that is to say, that during a certain definite period, the duration of which will be settled by further negotiation, the Indian Government will engage to maintain its existing system of the free coinage of silver having full legal tender faculty throughout the Indian possessions of Her Majesty.

But I must add, that we can only bind ourselves in so absolute a manner on condition that a certain number of the principal states of the world engage on their part to maintain within their territories during the same period the free coinage of silver, with full legal-tender faculty, in the proportion of 15½ parts of silver to one of gold; and our engagement would only remain in force during the maintenance of this state of things.

Our position is also exceptional from another point of view. No country in the world has done so much, in the years which have just elapsed, to maintain the value of silver, and to prevent its very serious depreciation increasing.

The following amounts of silver money, for example, have been coined in British India in the years—

	£
1877	6,271,000
1878	16,180,000
1879	7,210,000

and I am told, though I cannot guarantee the accuracy of the figures, that in the year 1880 we have coined nearly £10,000,000.

For the depreciation itself, and for the serious consequences which have resulted from it, the Government of India is in no way responsible. It has been, if I may say so, the victim of the policy of others. We are then not only ready to lend our aid to others in their endeavours to maintain the value of silver, but we have, I think, in a certain sense, a right to claim assistance on their part.

In the short space of fifteen years three International Conferences on the monetary question have been held in Paris.

The first, as you are aware, came to the almost unanimous conclusion that the basis of any future international concert in monetary matters must be sought in the gold standard, with silver as its occasional companion when required.

Some important countries having, in consequence of this opinion, taken steps to demonetize silver, the depreciation of this metal ensued; and the injurious results of this state of things has been so generally admitted that the majority of the states who were represented at the last Conference in 1878 declared their opinion that it was necessary to maintain in the world the monetary functions of silver as well as of gold, in the hope, it is to be supposed, that the selection of one or other of the two metals, or their simultaneous employment could be left without inconvenience to the independent judgment of each state or group of states. This was to establish the "halting" standard.

As far as we can judge at present this solution has not had very great success.

The evil continues. Silver is still seriously depreciated; and those who, like the Governments of France and the United States, see in this depreciation a source of danger for the future, thought it desirable to assemble a third Conference in order to discover a new solution.

But it would appear that even in this Assembly there are those who do not believe in the existence of the evil, who go so far as to deny it. If there is no evil, if there is nothing to remedy, it is certainly idle and useless to discuss the question of what remedy to use. But as representing the Government of India, I cannot concur in such a view.

No; the Government which I represent believes that there is an evil, an evil very serious at present, and still more serious in the future; and I would ask permission to explain to you in a few words wherein it consists from the Indian point of view.

The Government of India has to pay in London about 15 millions sterling in gold. The greater part of this annual charge is compulsory and permanent. Such is the interest of the Indian debt contracted in gold, and of the loans guaranteed by the railway and canal companies (amounting to about seven millions sterling), the pensions and annuities paid to retired officers of the Government, both civil and military, and to their families* (about 2¾ millions sterling); that portion of the military expenditure which relates to pay and commissariat, and the greater part of the expenses of the Treasury at home. These expenses are fixed by contract or by honourable engagement, and cannot be reduced at will. Any change, therefore, in the normal value of the relation between gold and silver must exercise an important influence on the finances of the Indian Empire; and if this disturbance was likely to be prolonged for any considerable time, it would be the duty of the Government either to increase its revenue, or to reduce its expenditure, or perhaps to have recourse to both of these expedients at once, in order to restore the financial equilibrium.

We have then, first of all, the loss sustained by the Government, which, however, is not of the nature which M. Pirmez supposes, but which consists in its remittances of silver to England, in order to liquidate expenditure incurred at home. In the present year these remittances will amount to about £17,000,000; and the loss actually resulting from the depreciation of the silver is estimated at more than £2,000,000, a loss which has been exceeded in previous years.

It may be replied that what the Treasury loses the population gains, and that it could very well support an increase in taxation in order to compensate the Government. But it must be remembered that this line of argument ignores completely the conditions in which the Government of India is placed. A considerable portion of its income cannot be increased—I refer to the land revenue—because in Bengal it is fixed in perpetuity, and in other provinces for long periods.

* In the case of the officers of the Covenanted Civil Service a large proportion (varying from one-half to nearly the whole) of their pension consists of deductions made from their salaries at the rate of 4 per cent., and accumulated from the day they enter the service till they leave it. The amount paid by a civilian towards his own pension increases with the length and importance of his services, and the system tells most heavily on the highest officials. Lord Hartington noticed in the House this year that the amounts so paid must be deducted from the Home charges of the Government of India, as they were paid by individuals and not by the State.—A. C. T.

Besides, although we may no doubt look forward in the future to some rearrangement of taxation, when the depreciation of the coinage has produced its effect in a general rise of prices, and particularly in that of labour, we must wait a long time for that result, and meanwhile it would be impossible, without serious political danger, to propose new taxes based on considerations which the mass of the people would not be able to understand.

But it is not only the actual loss which we have to think about; it is the absolute uncertainty which hangs about the future, and which prevents any serious or accurate calculation of the revenue and resources of Government.

Lastly, there is the loss which is sustained by trade. M. Pirmez takes small account of the interests of trade in this question. I am quite unable to share his opinions. During the last few years I have had too many proofs that these interests have been seriously affected and injured, in consequence of the depreciation, to doubt the reality of the losses incurred.

It is no doubt true that when trade has been able to adapt itself to an alteration in the relative value of the standards of the two countries, if this alteration was of a permanent character and took place once for all, the evil would cease. But this is not the case. The future is as uncertain as the present in the existing state of things; and it is this uncertainty which impedes and prevents trade.

For each commercial operation two calculations are necessary. The price of goods must first be calculated in gold, and then the price of gold in silver; and for the latter there is no basis on which to go. It is just as if one had to buy cotton with gold in order to be in a position to buy wheat with the cotton. In fact, it is nothing but a kind of primitive barter, worthy only of an early civilization. In my opinion, then, trade sustains an evil, and a very serious one.

Finally, there is the loss sustained by all those, and particularly the natives, who have hoarded silver as treasure, and have thus lost 20 per cent. of their capital.

Looking at the matter from a more general point of view, I cannot understand how this question can be considered of secondary importance.

Admitting that stability of value is by far the most necessary attribute of money, it cannot, I think, be contested that a

bi-metallic standard is less subject to sudden changes in value than a mono-metallic standard. But failing absolute stability, which is, after all, impossible in the economic world, it must not be forgotten that there is a great difference between an appreciating standard and a depreciating standard. An appreciating standard means the want of a sufficient basis for the ever-increasing necessities of exchange, and for the general credit; in other words, it is stagnation of business, fall of prices, discouragement of industry and the spirit of enterprise, anxiety, suffering, crisis, a fatal retrogression, and decadence in the material prosperity of the people. On the other hand, a depreciating standard means, at any rate, whatever its inconveniences, and, sometimes, even its dangers, activity, confidence, incessant search for new fields for capital—in a word, progress and life.

When we consider the age in which we live, the immense movement, both industrial and intellectual, by which we are carried along, new means of communication by land and sea, electricity, which converts the whole world into a single market, the irresistible tendency among nations towards unity, can we doubt that an international standard sufficient in quantity and stable in character, as the basis of all our transactions, and all the exchanges which multiply day by day under our eyes, is an imperious and capital necessity for the civilization and the welfare of all the people of the earth?

What is our position? The annual production of the two metals is already barely sufficient. It is then obvious that gold alone would be still less sufficient, especially when we remember that there is already a sensible reduction in its annual production.

On the other hand, the need of money, especially if it was invested universally with the legal tender faculty, increases and will increase, still more rapidly.

There are countries which would wish to revert to a metallic currency, or which are already preparing for it—Italy, Austria, and Russia. There are others like Germany, Spain, and even the United States, which have not got the quantity generally recognized as necessary. There is the increase of population and of transactions, especially in those countries which produce gold; in short, there is material and intellectual progress in all countries. Is it not reasonable to conclude from all this that we should be wise to prepare ourselves for the future in store for

us, and to discover, if possible, an international standard more extended and more durable for the development of the commerce of the world?

The Government of India, at any rate, is very sensible of the inconveniences and the dangers which are caused by the existing monetary condition of the world; and it will appreciate very highly the efforts made by the Governments who have assembled the Conference, if they find themselves in a position to do something to remedy this state of things. At all events, it is an effort which ought to be made in the general interest. We have heard of a national selfishness, which, from a certain point of view, may be regarded as a patriotic virtue; but in the question in which we are occupied at this moment, it is incontestable that an enlightened national selfishness is identical with true international interests.

In the name of my Government then, I thank the two Governments who have initiated proposals with such objects in view.

The solution which has been suggested for our consideration is bi-metallism. As regards the scientific basis in which this solution is founded, I shall not enter upon an academical discussion, which, indeed, at this period, would be very much out of place; but I may, perhaps, be allowed to express my unqualified dissent, though it is at the same time entirely personal and individual, from the opinion of M. Pirmez, that it is opposed to economic laws. I am disposed to think, on the contrary, that considered as a whole, and with the conditions essential to its success, the bi-metallic theory is in entire conformity with those great economic laws which must always control the acts of the legislator and the fate of nations, and will continue to do so more and more; and that the idea which inspires it is one of the most important and fruitful truths of science, worthy of the two enlightened Governments which have submitted it for your consideration.

M. Pirmez says that it is neither within the right nor the power of the legislator to regulate the relative values of gold and silver. Bnt how can such a proposition be maintained? As regards the right, how can it be pretended that we have the right to impose on the population a single metal as money, whether trade prefers another or not; and that we have not the right to give it the chance of using the two metals in fixed proportion, if such a course would be to its interest?

As regards the power, can it be admitted that we can give an arbitrary, or, if you please, a conventional, value to gold or to silver, and yet that there is no power to fix their relation to each other? For it must be remembered that in this case we have to do, not with the law of the cost of production, whatever may be its value, but with the supreme law of supply and demand.

I will add one more word on the theory of bi-metallism to the observations of M. Pierson, which I have followed with very great interest. If I am not mistaken he appeared to be of opinion that the place which the precious metals occupy in the industrial arts constituted a slight obstacle to the complete acceptation of this doctrine.

I cannot make this concession to the mono-metallists. It appears to me, on the contrary, that the demand for gold and silver for industrial purposes does not in any way destroy the equilibrium which we desire to establish between their respective values. If this demand increases in unequal proportion as regards the two metals, the result will be that their relative value will be affected in precisely the same manner as by a production of unequal value in the gold and silver mines, only it will be in an inverse sense; that is to say, supposing that the demand for gold increases, while that for silver diminishes, the value of gold will increase, and the value of silver diminish. Well, this change in the relative value of the two metals will be the same as if the production of gold had diminished, and that of silver had increased; only in the first case the relation between the two would have been changed by an increase in the demand for gold, and a diminution in the demand for silver; whilst in the second case the relation would have been changed by a diminution in the supply of gold, and an increase in the supply of silver. We can then neglect the effect of the employment of the precious metals for industrial purposes.

One word before concluding. Is it true that the abstention of England must seriously impede the progress of the governments towards bi-metallism? It must be remembered that in preserving a system of gold mono-metallism in England and silver mono-metallism in India, the English Government makes an important contribution to the bi-metallic system; and it appears to me possible that at the commencement of a Bi-metallic Union, the adhesion of England and India might even

disturb and impede the maintenance of an equilibrium; for it might happen that India would absorb more gold in proportion to the stock of the world than England would silver.

It appears to me that there is rather a certain inconsistency in the language which is held to us on this point. We are told that during the maintenance by England of its gold mono-metallic system, it is necessary that India should maintain its silver mono-metallism, in order to counterbalance the action of England; and having accepted this theory, we are told that the counterbalance would not exist, and that the abstention of the two countries is incompatible with the practical success of a bi-metallic agreement between other countries. I trust, then, that the impossibility of England's joining in such a combination will not be considered as fatal to any attempt to maintain the value of silver; for we must consider for a moment the serious consequences of failure, if all our efforts result in our not being able to come to any understanding on this occasion. The result will be the *status quo;* good according to M. Pirmez, bad according to me. But, good or bad, can we rely on maintaining the *status quo?*

Is it not probable that the situation will become worse every day. That the countries which are at present entirely disposed to co-operate in the maintenance of silver as money, will be obliged to come to a decision, and do their best to establish the gold standard.

As to India, the great wish of the financial authorities in that country has been, if possible, to have a common monetary system with England.

Silver being impossible on account of the English system, they must choose between bi-metallism or gold, and although for the present the latter solution would be too difficult, it is certain that if the depreciation of silver continues, and if by reason of the discovery of fresh deposits of gold, or from some other cause, the opportunity should offer itself, we should be only too ready to seize it, and return to the proposals of the Commission which sat at Calcutta in 1868, and to enter, though much against our wish, into the struggle which is about to commence between the nations of the earth for the sole metal which will be left to us as the solid basis of an international currency.

I said that in my opinion the proposals which have been submitted to you, whatever the practical objections may be to them, of which I entirely appreciate the effect, are worthy of the two great Governments who have assembled us here.

I will add that, in this state of things, it would be scarcely dignified, in my opinion, if they allowed themselves to be too easily discouraged or prematurely diverted from the objects they had in view by these obstacles. It is impossible to admit that when these negotiations were set on foot these obstacles were not foreseen and recognized. The inevitable abstention of England was known to everybody, and nobody has the right to complain of it now. The difficulties which Germany would find in giving her adhesion were no doubt foreseen; she comes nevertheless and offers us practical concessions of great importance.

I do not think, then, that the divergencies of opinion which have made themselves felt at this Conference have been of a nature to alter to any great extent the prospects which were presented in the month of February. As is the case with all great reforms and new ideas, especially when a subject so difficult and complex as that on which we are engaged is in question, time is required to appreciate their bearing, and to allow them to penetrate into people's minds, and secure opinions and interests. In order to get them accepted we must have time, patience, a spirit of conciliation, perseverance, courage, and faith. When I consider the eminent men who have prepared the ground for these discussions in France and the United States, I have some right to believe that these great qualities will not be found wanting.

M. Moret y Prendergast (Delegate of Spain) felt sure that he was interpreting the feelings of the whole Conference in thanking the Delegate of India for his remarkable address. He would wish in some way to become possessed of it, in order to ascertain its conclusions and to indicate to what practical resolutions it might serve as the point of departure. Sir Louis Mallet had formally recognized the co-existence in the Anglo-Indian Empire of a double mono-metallism—a gold mono-metallism in Great Britain, and a silver mono-metallism in British India. He had admitted besides the embarrassments, the losses, the sufferings, which this sad state of things had caused to commerce and to

the Indian treasuries. They were naturally led to ask themselves whether there was no means of transforming into bi-metallism, to the great good of England and of India as well as of the whole civilized world, this double mono-metallism, which was divergent and hurtful and was maintained in the inverse sense by the two parts of the same empire. He was convinced that there was such a way, and he thought he ought to call the attention of the Conference, and especially of the English Delegate, to the following questions of which the affirmative solution would be in his opinion able to facilitate notably the solution of the Anglo-Indian monetary problem. For this purpose it would be sufficient to find the ratio between the two metals and to manage so that with Indian silver gold could be procured in England and with English gold a fixed quantity of Indian silver; and if that could not be done at present, there was a practical and easy method by which they might arrive at a solution. The Bank of England, according to the Act of Sir Robert Peel, had the power to constitute its metallic balance of the two metals by admitting silver as ¼th of the whole.* It would be sufficient then to make this power obligatory; so that anyone who brought silver could obtain notes at the Bank of England up to the limit of ¼th [really ⅕th] of its reserves. This right would raise the value of silver, and would be sufficient to change the present monetary situation of India.

Mr. Fremantle (Delegate of England) replied that his Government would take into the most serious consideration the wishes announced by the Conference. It would be very happy to be able, without modifying the situation in which it was now placed, and without renouncing the system of the gold standard, to find a means of helping the work undertaken by the Conference; that is to say, the raising the value of silver. He, however, considered it indispensable that the propositions which the Conference might put forward should be presented in a form as precise as possible.

M. Forssell (Delegate of Sweden). With regard to the fate of the universal bi-metallic system, neither the present mone-

* This is a mistake of M. Moret. The amount which may be held in silver is ¼th of the amount held in gold or ⅕th of the whole, not ¼th of the whole. (See the Bank of England's letter to Lord Granville, Vol. II., p. 140, of the Procès-Verbaux, Juin-Juillet, and the Bank Charter Act of 1844, 7 & 8 Vict., cap. 32, sec. 2 & 3.)—A. C. T.

tary situation of the Latin Union, nor the legitimate interests of the states with a paper-money *régime*, form the essential subject of our observations; for the fate of the universal system depends, as everyone admits, merely on the spontaneous accession of England and of Germany. It has been in vain to say and to repeat that the Bank of France has lost, in a few years, 900 millions of francs in gold [£36,000,000], and has gained 700 millions of francs [£24,000,000] in silver; that it will lose still more of that which it wishes to retain, and will receive still more of that which it wishes to get rid of. It has been proved in vain that the Bank of Holland suffers under an insupportable superabundance of silver. It has been in vain declared that the supreme urgency of an economic and financial reform in Italy will force the whole world to repair its monetary errors. Neither the one nor the other will convert Germany and England to the bi-metallic system, unless there should be in the economic and monetary situation of these two states themselves a motive power sufficiently great to triumph by its natural force over mono-metallic inertia.

Germany is overburdened with a silver reserve of the National Bank, not exactly known, but sufficiently great to embarrass it, and also with a silver monetary stock still circulating and always unrealizable, or realizable with a risk of loss. They have made a great stir about this in scientific literature, in the daily press, and in the German Parliament, and they have asked for bi-metallism and have blamed the mono-metallic reform of 1871. Nevertheless, the Imperial German Government, while confessing before the Conference the real difficulty of the monetary situation, while praising the efforts of the States favourable to bi-metallism to rehabilitate the value of German silver, while defining its intentions to facilitate and recompense these efforts, remains always favourable to gold mono-metallism, and makes no concession towards the free coinage of silver, towards the unlimited legal-tender power of coined silver.

As regards England the supreme importance of its Anglo-Oriental commercial relations is true. They are greatly hindered by the suppression of the free coinage of silver in Europe, as are also the Anglo-Indian financial relations, the disturbance of which is credited to the account of mono-metallic Germany, on account of the fall in the value of silver. Without denying

or affirming the importance of these financial and commercial interests one is tempted to suggest this idea, that the danger is hardly vital, because the English government, always so attentive to the interests of commerce in its own country, reserves to itself an absolute inaction on this subject.* M. Cernuschi thinks that this reserve will be transformed into haste as soon as the Irish question permits the English Government to become thoroughly informed with regard to the ruin which threatens it and to the prosperity which is offered to it. We have in the declaration of the Delegate of India the exact expression of the feelings and intentions of the English Government. This declaration is the exact copy of the German declaration. To facilitate the bi-metallism of others they promise to keep in India silver mono-metallism; but they make no concession towards an English bi-metallism. I venture to say that whatever they may do in England to help Oriental interests, they will never get an English Minister and Parliament to agree to the entry of England into the Bi-metallic Union, to the free coinage of the two metals, or to the legal-tender power of two kinds of money. I place no special reliance on the thoroughly Conservative feelings of Englishmen in monetary matters; I do not press this reason, which seems to me too theoretic, that they will never abandon a simple measure of value for a double or composite measure. I am contented to consider and to estimate the importance, the risk, the ultimate consequences of this bi-metallic convention, which is proposed to the English nation, so jealous of its sovereignty and of its independence. To appreciate thoroughly the chances of this universal bi-metallic system, it is necessary especially to examine its details.

It is in the high-sounding name of liberty that the free coinage of silver, and the free payment in coined silver, are demanded. But liberty for whom, and on what condition? Liberty for the producers and the dealers in silver; and on condition of a corresponding obligation for governments and for creditors, on condition especially of a necessity imposed on monetary circulation, and on the metallic reserves of the countries which have entered into the bi-metallic union. I said "necessity;" but notice how this necessity is imposed, how on occasion it is dis-

* This is surely an argument which tells both ways. It is just as easy and apparently as logical for the bi-metallists to contend that the English Government is wrong in this inaction, and that it does not show in this its usual "attention to the interests of commerce."—A. C. T.

turbed. Even the most thorough bi-metallists admit that the obligations which correspond to the beneficent liberty of the free coinage of the two metals would be insupportable without the concurrence of the whole or the greater part of the states of the first rank; that the unwise state which should burden itself alone with the necessary efforts to re-habilitate and to sustain the value of silver would be crushed under the weight of the bi-metallic system which is now perishing; that it would be suffocated by the silver flowing to it from all the world. What guarantee can they offer to us that the reality would always or ever agree with the stipulations of the convention? What guarantee can they give us against the sudden and forced adoption by two, three, or four of the states of the *régime* of paper-money? What guarantee against the renewal of political crises which has already made each of these states successively undergo this convulsion of their circulation. But the *régime* of paper-money drives away coined metal. Silver, in the first place—coined silver emigrating towards the states or the state which still retains a metallic *régime*, and where it would keep its full legal tender power—would drive gold from the circulation, or at least from the reserves of the bank. (If you wish a proof of this, look at the reserve of the Bank of France, entirely filled with Italian crowns.) The equilibrium of the conventional system would be destroyed, and the country which, still bound by the convention, should retain the metallic *régime*, would be the victim of the system just as much as if it had alone undertaken this impossible obligation. A universal bi-metallic convention is impossible, because it requires engagements which, if the thing fails, would end in destruction and in the ruin of the contracting parties. No other convention imposes obligations of this kind—at least, only one, the Latin Bi-metallic Union of 1865. But the chief defect of this has been confessed. Practical bi-metallism has been driven away by the Convention of 1876, and is forbidden for the future, except in case people succeeded in making a universal system accept this principle which has just destroyed the Latin Union.

How can the interests of different states be united? If it is not impossible, it is, at least, improbable in the last degree. Compare these vital engagements and these secondary interests to which you appeal. Even if we look at these inconveniences from the largest point of view; even if we see say, with

M. Seyd, the traffic between a country with a gold standard and its colonies with a silver standard, will be quite as unfavourable as the traffic with countries having paper-money, is it not sufficient to reply that the traffic of England with Italy and with Russia has not been disastrous for England. As it prospers and is constantly progressing, the loss cannot have been on the side of the English merchants; and no one has ever, in favour of this traffic, demanded the double standard of gold and of paper. Why then should a similar demand be made in favour of the traffic with countries having a silver standard? It is the same thing with regard to Anglo-Indian losses. They are estimated at two millions of pounds sterling per annum. This is, however, a figure—a definite sum whose importance will probably decrease. An exact sum in loss will never be exchanged for an undefinable sum in risk: a country will never sell for two millions sterling its independence and its monetary sovereignty.

The very fact of the convocation of a universal Conference does not allow us to remain within the restricted limits of these individual interests of certain states, or of bi-metallic impossibilities. We are neither diplomatists nor idolators, and if there is a real difficulty in monetary systems, we must either recognize that it is irremediable, or find for it the possible remedies. Is there nothing at the bottom of the monetary agitation of to-day more universal, and which could rally together the mono-metallic states, the states with a halting standard, and the states with paper money, the mono-metallic theorists and the bi-metallic theorists, in a common interest in a common work? I believe that this is possible. In bi-metallic literature appeals are made sometimes to the interests of all the states as to that of indebted individuals whose stocks, more or less burdensome, would be aggravated by a diminution and lessened by an increase of the monetary mass, sometimes to the interests of the holders of securities of all Europe whose losses on their securities would not take count of the harvests of America or of the social conditions of their country, but only of the Bamberger law. As regards a universal bi-metallic system, so general a union, so universal an interest will only be realized with difficulty. Governments will look at it with caution, and even will find means to evade engagements of which the risk is too evident. But there will always be on this subject agitation, noise, alarm, and trouble; and it is certain that this universal

interest requires that we should consider all the details carefully. It is, in the first place, necessary for this Conference to examine very narrowly this question of the actual and probable influence of the present monetary evolutions on the rate of price of commodities, and on the economic condition of the people. Firstly, it is necessary to consider well if there is really a great social danger in this fall of prices with which they threaten us. To speak frankly, I see nothing very dangerous in it, and if they gave me the choice between the constantly progressing abundance of coin—the constant raising of prices on one side and the contraction of coin, the fall of prices on the other side, I should hesitate. There are advantages and disadvantages on one side as on the other; but in favour of the fall of prices, of the rise in the value of coins which they fear, I would say that a value which falls loses also its attraction; and you know that during the periods of a rise in prices, silver is esteemed less, and is despised although it is the object of saving. A value which rises gains in attraction, and you would see without doubt that a fall in the prices of commodities would make people esteem and save up silver still more; and if I look at things only from the point of view of this great majority of people whose existence depends upon salaries, what an evident advantage there is in this increase in the value of coin. They would have, no doubt, under this system to struggle to preserve and to defend their salaries against the masters who would wish to diminish them, just as at the time of a rise in prices, of an increasing abundance of coin they have to struggle to raise their salaries; but what a different position—what a difference between defence and attack. Preserving is so much more easy than raising.* As regards debts I would remark that the debtors who would lose by the contraction of coin, especially the debtors of long terms, are not in the ranks of the $\frac{3}{4}$ths or $\frac{9}{10}$ths of the population who live from day to day without credit and without fortune. On the other side, in this era of debts of democratized states, we find more and more in the lower ranks of the *bourgeois*, in the ranks of medium fortunes, the creditors who would gain by a fall in prices. The great event whose importance we must estimate is not at all bi-metallism, which does not exist—which

* It is clear that the increased value of the coin would only benefit the receivers of salaries just while the change in value was taking place; the moment it was *completed*, the masters would reduce wages and the workmen would have to accept the reduction, struggle as they might.—A. C. T.

is proposed, but which seems to be impossible, nor even the half accomplished demonetization of silver; it is the progressive and probable adoption of the standard of gold and the consequences which will follow from it. The remedies will therefore be found in the domain of mono-metallism itself. The essential point of monetary evolution, the subject of a real and universal interest, is not the depreciation of silver, of which the consequences to holders of silver are but of secondary importance; it is this new demand for gold which will result not from the arbitrary will of a government, nor from the theories of learned men, but from the needs of commerce. The first question which requires a reply is: *Has there been during the last ten years such a fall in the price of commodities under such conditions that we can deduce that the suppression of the free coinage of silver and an increased demand for gold for coinage have essentially contributed to it?* The following question refers to the future: *Is there ground for presuming in case of adoption by one or several states of the single gold standard, that the new demands for gold for coinage would bring about a contraction of the monetary and credit circulation sufficiently strong to make us accept a general falling in the value of commodities as far as they are expressed in gold?* We have here two calculations to make. On the one side a calculation with regard to the new demands for gold with which we are threatened, in the first place, by the United States and by Italy; on the other side, calculations with regard to the annual production and the probable existing stock of gold, and what is still more essential, with regard to the elasticity of the monetary and credit circulation, for we must never forget that in speaking of the relation between money and commodities we speak of a relation between commodities on one side, and credit and monetary circulation on the other. Assuredly, it is not only to the increase of the metallic stock that we owe the constant and rapid fall of prices in the latter centuries; it is much more to the progressive elasticity, to the essential perfectibility of all this organization of circulation of which the metallic stock is the blood, but of which credit is the soul and the life. This organization of the circulation has been developed under the influence of customs, of economic necessities, of the legislation of each nation; it has attained to different degrees of perfection and elasticity. Without doubt, we have not yet come to the end of this power of economizing coined metal, of which England gives us the most brilliant example; and if the new demand for gold should not

be sufficient to cause a corresponding production we may reckon on new economies in the twenty milliards [£800,000,000] of gold in the world if there should be need of it to distribute these milliards, so that they may take their necessary part in the nations desirous of entering the ranks of gold mono-metallist states; and if our researches on the probable demands for gold should make us foresee disturbances and troubles for a certain period of transition, the following question would have, without doubt, a grave interest, especially for mono-metallists: *Is it possible to facilitate and to help by passing Acts of monetary and credit legislation such economies in gold as shall be necessary by the progressive adoption of the single gold standard in the states represented at this Conference?*

Mr. Dana Horton (Delegate of the United States of America) said that he had heard with great satisfaction the communication of the questions asked by the Delegate of Sweden. He appreciated their utility so much the more that he had already himself drawn up similar questions in the list which he had given to the President. He would be very happy if similar demands for information should be put in by other members of the Conference. He did not wish to occupy the time of the Conference in a profound discussion of the matter, but he would read a quotation from the book of a man whose authority is known to all of the members of the Conference, M. Chevalier, "Money in 1866," page 759, and he would present in an Appendix his opinions on the economic effects of a rise and a fall in prices which had been previously stated by him in his printed works. [*See* App. III. B., to present sitting.]

Baron Thielman (first Delegate of Germany), referring to the declaration which the German delegates made in the Second Sitting of the Conference, wished to remark that this declaration did not contain offers made by the Imperial Government to the powers represented here. The Delegates of Germany confined themselves to stating the opinion that perhaps the German Empire would take into consideration some concessions, with a view to an eventual arrangement, which might be of a nature to raise the price of silver. As they had stated, the interest of Germany in this question was not equal to that of several other powers. The ulterior decisions of the Imperial Government, as they had indicated them, were not prejudged either by its participation in this Conference or by the observations of its delegates. This declaration was not aimed at rectifying any of

the ideas stated in the Conference, as the delegates had all completely understood the character of the declarations of the German Delegation; its only aim was to reduce to a proper value the exaggerated commentaries of a certain part of the Press. This statement was recorded.

The general discussion of the List of Questions was re-commenced.

The *Count San Miguel* (Delegate of Portugal): I do not propose to begin the theoretic discussion of the two statements which have been made. Others more competent than myself have done so and will do so. I merely wish to remark on a passage of M. Cernuschi's address; for it is exactly with regard to this passage that the information which I wish to communicate to you refers. M. Cernuschi has told us the ratio of 1 to 15½ between gold and silver has prevailed everywhere during a century. I have been profoundly impressed by this statement, advanced in so absolute a manner, and by an authority so competent; for I consider that the whole question is involved in this. If the ratio has been constant everywhere and always, bi-metallism is possible. Monetary questions are, in my opinion, exclusively practical questions. It is only by the study of facts that we can attack them, if we wish to resolve them. In Portugal, before the Monetary Reform of 1854, which instituted the single gold standard, gold and silver simultaneously fulfilled monetary functions. If, then, the ratio of 1 to 15½ between gold and silver coin had prevailed everywhere during this century, this ratio would have prevailed also in Portugal; and I, therefore, ask myself why, if the ratio was so permanent, we substituted the single gold standard for the bi-metallic circulation which existed before 1854? I have studied the facts—I have searched whether, in fact, this ratio had been in Portugal as fixed as M. Cernuschi has said. I find that the ratio between gold and silver during the first half of this century, in Portugal, as legal money has varied in the following manner:—1800, 13·5; law of the 6th of March, 1822, 16·0; law of the 24th April, 1835, 15·5; law of the 3rd March, 1847, 16·5. These alterations were the very cause of the abandonment of the bi-metallic system in Portugal. It was established, and the statement of motives which preceded the law of 1854 proves it, that the circulation felt the want of harmony, and the disorder produced by the alteration of the reciprocal value of the precious metals that the legal ratio between

gold and silver coins was higher than the commercial value of these metals, and also that this state of things hindered the transmission of values, laid a burden on all transactions, and stopped the movement of commerce even in the simplest operations. For these reasons the law which established the single standard was voted almost unanimously by the Portuguese Chambers. These facts seem to me to indicate that which is also shown by experience in agreement with scientific principles, that the fixity of ratio between gold and silver cannot be attained, and a state cannot keep simultaneously these two metals as measures of value; for the most favoured will always discredit the other, and will make it lose its quality of money, to convert it into a pure commodity. These are the facts, and, in my opinion, the law cannot or at least ought not to be in flagrant contradiction with facts.

M. Cernuschi (Delegate of France) stated that in the present sitting two parts of the world—Asia on the one part, America on the other, have pointed out the dangers and the perils of mono-metallism, and insisted on the definite adoption of bi-metallism; but this measure had been opposed by Sweden and by Portugal. The partizans of mono-metallism pointed at the non-success of the Latin Union; but this non-success from the bi-metallic point of view was caused by the attempt which had been made to introduce gold mono-metallism into Germany; and it could not, therefore, be thrown in the teeth of the partizans of international bi-metallism. The partizans of mono-metallism said that the adoption of their system need not have as a consequence a fall in prices, and to support this denial they pointed out that the passage of Germany to the gold standard has not brought with it a sensible depreciation of commodities. But do they not see how easy the answer to them is? The demonetization of silver is not accomplished in Germany; it is only decreed. Mono-metallism has not yet triumphed in Europe; it has not yet even commenced to triumph; the evil which it will cause to humanity has not yet begun to be felt; it has only, as yet, been announced. This is the reason why the fall in prices of commodities has not occurred; but it will be inevitable, fatal, crushing on the day when the mono-metallic law shall come really into force everywhere by the practical demonetization, that is, by the general withdrawal of silver coin. The Swedish Delegate said that the rarity of coin produced by the removal of silver would be an encouragement to thrift, as its

abundance was an incitement to prodigality. It is impossible to apprehend on what principle or on what economic law such an assertion rests. The Delegate of Sweden has stated in favour of mono-metallism this other argument, that it would be profitable to the mass of the population. All the creditors and all the owners would gain; and the workmen would not lose, because it would be sufficient for them to preserve the salaries which they had already acquired, instead of having to obtain with difficulty an increase of their pay, as they would be forced to do if mono-metallism did not come into force. But by what right would the legislator thus make some gain and others lose? In this arbitrary division of loss and gain by the monetary legislator, where is justice and where is equity—where is even the idea of the function of money? The object of money is to guarantee in the present as in the future the sincerity and the permanent equivalents of all current contracts. Money is a sort of instrument of precision, a valorimeter, which maintains, so to say, debts and credits always at the same level; and people wish by a blow of legislation to suppress with a stroke of a pen one of the two elements which are used as a measure in agreements made up to this time. The iniquity and the falseness of the mono-metallic theory, its inconveniences and its dangers, have been pointed out by Sir Louis Mallet with a clearness and a force which renders it unnecessary to return to them. There now only remains to record his words in order to make a great effect on the British Government, so as to decide it to transform its double mono-metallism, which is false and ruinous, into an international bi-metallism, which would be logical and profitable to England as to India, and to the entire world.

The general discussion was postponed to Friday, 19th May, at 12.30 p.m.

The Sitting ceased at 5.30 p.m.

APPENDIX I.

REPLY OF THE DELEGATES OF ITALY TO THE REQUEST FOR INFORMATION ADDRESSED TO THE MONETARY CONFERENCE IN THE SITTING OF THE 7TH MAY, 1881.

Quantity of silver coined.	1874.	1875.	1876.	1877.	1878.	1879.	1880.	Remarks.
A. In coin having unlimited legal-tender power	(1)	22,887 kg. 305·920	143,659 kg. 561·005	80,930 kg. 049·640	40,435 kg. 144·151	83,248 kg. 159·180	None.	(1) No information, because the Mints were farmed out in 1874.
B. In coin having limited legal-tender power ..	(1)	None.	None.	None.	None.	None.	None.	
C. On account of other states	(1)	None.	None.	None.	None.	None.	None.	
Coinage on account of individuals without profit to Government at the price of silver at London on the day on which the metal was presented at the Mint	(1)	None (2)	None (2)	None (2)	None (2)	None (2)	None (2)	(2) By the law of the 17th July, 1875, individuals were forbidden to have silver pieces coined.
Produce of the ingots and trade marks	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3) No record was kept.
New coinage of old coins	21,604,623 f. 54 cents.	13,416,751 f. 09 cents.	18,346,658 f. 72 cents.	13,151,419 f. 76 cents.	8,584,410 f. 36 cents.	12,762,941 f. 61 cents.	8,121,019 f. 94 cent.	
Coinage for the Banks of Issue and whether the profit fell to the banks or to the state	None.	None.	None.	None.	None.	None.	None.	

APPENDIX II.

Questions Addressed to the Belgian Délegates by M. Henri Cernuschi, Delegate of France.

I.

If it is said that the monetary metals are merchandize, and if the power of legislation as regards the value of money is denied, how account for English legislation keeping in circulation about two million kilogrammes of silver at a nominal value much superior to their value as merchandize metal?

II.

If it is true that the silver shilling is merely a national counter of limited paying power, issued by the State in limited quantity, is it not true that the gold sovereign of unlimited paying power, issued by nature in limited quantity and convertible into foreign money if gold is mintable abroad, is itself merely an international counter; and that if the small value of the merchandize silver stands for nothing in the value of the shilling, the small value of the merchandize gold stands for nothing in the value of the sovereign?

III.

If this is the case, is it not true that the value, the paying power, of the sovereign of unlimited coinage is more or less great, according as the number of sovereigns that might be coined with the whole mass of gold in existence is more or less great; and is it not consequently true, that the sovereign has a mathematical value?

IV.

Is not the value, the paying power of the sovereign, stable, because the number of sovereigns that might be coined with the mass of existing gold is stable?

V.

If the law has the power of giving the sovereign mathematical value, can it not give it to the shilling?

VI.

Considering that the number of shillings that might be coined with the mass of existing silver is stable, would the value of the shilling at unlimited coinage and unlimited forced circulation be less stable than that of the sovereign?

VII.

Is it not true that if the different nations formed a single state having both the sovereign and the shilling as money with unlimited coinage and with unlimited forced circulation, nobody would think of bartering shillings for sovereigns, or sovereigns for shillings, seeing that neither the one barter nor the other could secure any profit; and is it not true that there would be no thought of ascertaining the ratio of weight existing between twenty shillings in gold and twenty shillings in silver?

VIII.

Is it not true that, considering the multiplicity of states, if one of them began fabricating sovereigns lighter than the sovereigns of the other states, while maintaining the uniformity of weight for the silver shilling, the bankers in the other states would take thither their heavy sovereigns for remintage into a larger number of lighter sovereigns, and that with these light sovereigns they would obtain silver shillings, which they would take home, thus realising a considerable profit entirely due to the lack of international uniformity between the weight of two coins?

IX.

Is it not true that between the gold sovereign and the silver shilling, supposing them to be universal money, there would be no question of a relative natural and commercial value, but of a conventional ratio of weight fixed by legislation?

X.

Is it not true that if nature had offered a third metal capable, by the unalterability of its mass and by its physical qualities of

being itself also good money with unlimited coinage, legislators would not have failed to declare it metal mintable at pleasure, and to fix the weight of a third monetary unit, a weight which would necessarily have had some ratio with the weight of the silver unit and the gold unit?

XI.

Does it not result from the foregoing, that international bimetallism will be firmly established the day when the same ratio of weight between the silver coin and the gold coin is decreed by a preponderating group of nations?

XII.

In addition to the first of the questions here put, how account for the fact—

(*a*) That French, German, Dutch, and American legislators can keep in circulation with unlimited paying power, and as non-international money, a mass of silver amounting perhaps to twenty-five million kilogrammes, a mass which would not be worth a tenth of what it is worth as money, if the five-franc pieces, thalers, florins, and dollars were melted down, and if Asiatic legislation withdrew from silver its unlimited paying power?

(*b*) That Italian, Austrian, and Russian legislators can keep in circulation as national money immense sums of paper money of unlimited paying power, money which, regarded as merchandize, would be absolutely devoid of value?

Remark.—Coins are conventional units used for measuring the comparative value of all merchandize and for paying for them. They are counters whose value is purely legal, but guaranteed by nature itself, which has never furnished and does not furnish but a limited number of them.

The circulation of all the counters composing the existing monetary mass is ensured by means of free mintage and forced circulation.

The yellow counter reckons as 15½ white counters. Bimetallism is nothing else.*

* It was at the sitting of the 17th May that M. Cernuschi submitted the above questions to the Belgian Delegates. By a singular coincidence a mono-metallist leader in the *Times* of the 21st May, written without cognisance of these questions, remarked—

"In a sale the coin which passes is primarily a *counter*. It is an order entitling its owner to a certain amount of goods, which their vendor is

NOTE I.

The Loss by Exchange.

The following article from the *Pioneer Mail* of Allahabad of the 19th April will be read with interest:—

"Major Baring, in his financial statement, has offered a decision on the question of loss by exchange, which, with all due respect to so high an authority, we take leave to question. In attempting to fix an approximate estimate of the loss by exchange, he considerably reduces the conventional loss, as shown in the accounts, by means of an assumption which he takes as proved, that the rupee under certain conditions is worth 1*s.* 10⅝*d.* instead of 2*s.* We by no means dispute his assertion that the loss calculated in the conventional way is no measure of the actual loss to India involved in the variation between the rupee and sterling money. There are so many other factors involved in the complicated problem of a variation between gold and silver, that he is a bold man who would measure the loss. But where we join issue with Major Baring is on his assumption that when the value of gold to silver is as 1 : 15½, the value of the rupee is worth only 1*s.* 10⅝*d.* The only meaning of this statement in the context where it appears, is, that, under the circumstances stated, a rupee laid down in India is worth 1*s.* 10⅝*d.*; for this is what fixes the rate for payments between England and India. There are many ways in which the validity of this assumption can be tested: let us take the simplest. The constant price of bar standard gold in London is, as most people know, £3. 17*s.* 10½*d.* per standard oz. of 440 grains pure, and

ready to part with in exchange for other goods to be yielded to him on exhibition to their holder of the money he has received for his own. It is an easy way civilization has devised of avoiding the form of barter while preserving the effect."

M. Cernuschi's language is nothing else. But the *Times* adds—"manifestly it is simpler for a *community* to set up one common measure of the articles it deals in than two." To this M. Cernuschi may reply: If money is a legal *counter*, why not use two legal *counters*, the one being a multiple of the other, just as the yard (a *counter*) is the multiple of the foot (another *counter*)?

For England as for every nation the *monetary community* is mankind. With its gold-silver par at 15½, bi-metallism had set up one common measure for the articles mankind deals in. This common measure has been lacking from the moment when the free coinage of silver side by side with the free coinage of gold was stopped.

hence the value of an ounce of pure gold is 1019·454*d*. When, therefore, gold : silver : : 1 : 15½, an oz. of pure silver must be worth $\frac{1019\cdot454d.}{15\frac{1}{2}} = 65\cdot13d.$ The value of the 165 grains of pure silver required to make a rupee is therefore $\frac{165}{480} \times 65\cdot13d. = 22\cdot39d.$; and if we add the charges for freight, duty, and mintage 3·55 per cent., and interest at 3 per cent. for the delay in remitting bullion, we shall find that the total cost of placing a rupee in India at the above rate for silver is 23·308*d*. or 1*s*. 11$\frac{3}{10}$*d*. instead of 1*s*. 10⅝*d*. as stated by the Finance Minister. The above rate, be it observed, would fix the price for bills between England and India, and it would be the real par prevailing when the bills on both sides were equal. Should the demand for remittance to India be heavy, and the stock of silver small, the rate would go up above this to 1*s*. 11½*d*. or ¾*d*. On the other hand, were the demand for remittance on India small—as with a slack export trade—the rate might sink down to 1*s*. 11*d*. and possibly lower still to Major Baring's 1*s*. 10⅝*d*. But to assert that the regular rate would be 1*s*. 10⅝*d*. is certainly a mistake.

"The point deserves attention, because it will strike many people that the ratio of gold to silver which enters into Major Baring's assumption, is the constant relation which the bi-metallic *régime* claims to maintain between gold and silver. Now were the bi-metallic law to be adopted amongst continental nations and America, there is no question that the rupee would range between 1*s*. 11*d*. and 2*s*., and this can be proved by showing the limits between which the price of silver in London must vary under that law. Thus, the real par of exchange between London and Paris is £1=25·225 francs: which means, when the bi-metallic law prevails in Paris, that £1 and the silver contained in 25·225 francs (*i.e.*, 1751·76 grains pure) are of exactly the same value, whence we at once get the ruling price for the ounce of standard silver (444 grains pure) as 60·83*d*. Again, if we calculate out the value of the ounce of silver in the same manner for the extreme or specie points between which the French exchange now fluctuates, *viz.*, 2·5125 and 25 325, we shall find the prices of standard silver corresponding to these points to be 61·09 and 60·591, respectively. That is to say, when the bi-metallic law prevails, the price of silver in London will vary between the two constant limits of 61·09 and 60·591. These

rates are, it may be observed even higher than the rate we calculated out just now from the price of gold., *viz.*, 65·13 per ounce pure, which is equivalent to 60·24 per oz. standard. The par rate of exchange with India, calculated out as before for the above two prices of silver, would be 1*s.* 11$\frac{3}{5}$*d.* and 1*s.* 11$\frac{4}{5}$*d.*, respectively, and the Indian exchanges might fluctuate around either of these points according to the demand for remittances on either side; but we may safely say that they would never fall as low as 1*s.* 10$\frac{5}{8}$*d.* Years ago when the margin between par and specie point of the exchange between Paris and London was much wider than it is at present, owing to the freight and insurance charges being much heavier, and when the bi-metallic law held good on the Continent, it was quite possible for the price of silver following the rate of exchange to go down so as to give an exchange on India as low as 1*s.* 10$\frac{5}{8}$*d.*; but this would never happen in these days of rapid and cheap transit. It is most important, in view of the prominence likely to be given to the question of bi-metallism by American and Continental financiers, that the Government of India, which is so largely interested in the stability of silver, should clearly understand that under the bi-metallic law—which forces gold and silver to exchange at the rate of 1 : 15$\frac{1}{2}$—the exchange value of the rupee could never fall below 1*s.* 11*d.*, and might often rise to 2*s.*"

The specie par at 15$\frac{1}{2}$ between the silver rupee and the gold sovereign is 1*s.* 10$\frac{5}{8}$*d.* But the balance of trade being generally in favour of India, the rate of the rupee at London was usually higher, and approaching 2*s.*, just as when the balance of trade is in favour of the United States, the dollar is worth at London something more than the gold par value between the English and the American coins.

Thus the *Pioneer* is right in saying that the loss by exchange ought to be calculated by the rate which the rupee formerly commanded at London, that is to say, very nearly 2*s.*

The paragraph of the Financial Statement to which the *Pioneer* refers is this:

"*Loss by Exchange* has been estimated at £3,475,000, on the assumption that £17,200,000 will be remitted home at 1*s.* 8*d.* the rupee. There appears on the revenue side of the Account a *Gain by Exchange* of £412,000. Thus the net *Loss by Exchange* is estimated at £3,063,000. I need hardly point out that these are adjusting entries, and the difference between them does not

furnish the true measure of the loss to India from the recent change in the relative values of gold and silver. In order to arrive approximately at the real loss by exchange, we must assume a normal relative value between gold and silver. When that relative value was as 1 to 15½ the 165 grains of pure silver contained in a rupee were worth 1*s.* 10⅝*d.* The net sterling expenditure at the Home Treasury of the Government of India may now be taken at £14,750,000 (true sterling). £14,750,000 at 1*s.* 8*d.* the rupee equals 177,000,000 rupees. At 1*s.* 10⅝*d.* the rupee, £14,750,000 equals 156,461,000 rupees. The difference is 20,536,000 rupees. On this basis, therefore, the real loss to the Indian Treasury in 1881-82 resulting from the disturbance of the equilibrium previously existing between gold and silver may be estimated at 20,536,000 rupees."

Were international bi-metallism in operation, the expenditure of £14,750,000 would be covered by selling Council bills to the amount of 141¼ million rupees at the rate of 2*s.* per rupee, instead of 177 millions, a saving of 29½ million rupees for the year 1881-82.

The Government, the *Pioneer*, all unprejudiced people declare that so long as French bi-metallism was at work there was a normal par between silver and gold.

NOTE II.

Draft Resolution for an International Convention.

On the 7th February the French Government received from the United States Government an assurance that it was disposed to take immediate action for convening an international conference, taking as a basis the essential ideas of the project which had been transmitted to the Department of State.

This project, drawn up by M. Cernuschi, had been forwarded from Paris on the 7th January, but without the preamble which he has since added. It may hereafter be utilised in some way.

"1. Whereas bi-metallism, or the monetary system which consists in simultaneously coining any quantity of gold and silver on the footing of a legal ratio between the weight of the

monetary unit in gold and the weight of the same unit in silver, had always been practised, and it has only ceased to operate in any part of the world during the last few years.

"2. Whereas, during nearly a century, the principal Continental mints have coined at the legal ratio of 15½ all the quantities of gold and silver presented for coinage, whereby alone, whatever the vicissitudes in the production of gold and the production of silver, the relative value of the two metals was necessarily fixed in the entire world at the par of 15½; nobody in any country agreeing to part with either gold or silver at a less advantageous ratio than that which it was known could be realized in Europe at the mints which were bound at the rate of 15½ to convert into coin, having legal currency without limit of amount, all the metal they were asked to coin.

"3. Whereas, by this universal par of value between gold and silver, the monetary material of the entire world formed a single mass as homogeneous as if it had been composed of a single metal, but with this evident and very important superiority, that its paying power was much more stable than would have been the paying power of gold disjoined from silver, or of silver disjoined from gold; and this because the greater or less stability of that paying power depends on the greater or less regularity of monetary production, because the production of gold is very irregular, also that of silver, while the joint production of the two metals valued at the legal ratio is quite sufficiently regular.

"4. Whereas the above-mentioned universal par between the value of the two metals was of the greatest service to countries subject to mono-metallism, such as gold mono-metallic England and silver mono-metallic India, which countries, owing to that par, could mutually settle their pecuniary dealings with almost as much facility and certainty as if they had one and the same metal as common money.

"5. Whereas, as soon as silver was no longer freely admitted to coinage by the states which had previously been bi-metallic, the universal par of value between the two metals necessarily disappeared; and inasmuch as, through that disappearance, the bi-metallic and homogeneous material possessed by the world was decomposed into two mono-metallic materials heterogeneous to each other—the material gold, the sole metal admitted to coinage in Europe and America, and the material

silver, the sole monetary metal in Asia—a twofold monometallism, which has rendered the commercial and financial relations between the two halves of the world almost as complicated and hazardous as if the exchanges between them were made by barter.

"6. Whereas, moreover, the states of the Continent of Europe and the United States of America, while admitting gold alone to free coinage, are encumbered with coined silver, and the silver coins of one country cannot be converted into money in other countries, unless in Asia, and then undergoing all the loss resulting from the difference between the ratio at which such silver has been coined with regard to gold, and the much smaller ratio of gold realised on disposing of silver for an Asiatic destination now that the universal par no longer exists, a ratio which would become smaller and smaller if the offers for sale of silver happened to be resumed and continued.

"7. Whereas it is, in fact, impossible to withdraw from circulation and get rid of the coined silver, not only because of the terrible fall which the Asiatic exchange would experience, and of the enormous losses which would have to be borne, but also because of the immense void such withdrawal would leave behind it—a monetary void which could not be filled either with the present gold, which has already its use, or with the future gold, which has not yet issued from the mines.

"8. Whereas, in short, the monetary chaos is general, and that chaos, extremely prejudicial to the interests of all nations, without a single exception, is solely attributable to monetary laws now in force in Europe and the United States, and cannot be put an end to except by reverting to bi-metallism.

"9. And whereas such reversion to bi-metallism and the adoption of the ratio 15½ by a preponderating group of nations would have the immediate effect of re-establishing on a very solid basis the old universal par of value between the two metals, of enabling Europe without any loss to employ its old silver crowns in paying America, and reciprocally of enabling the United States, when their balance of trade allows it, to pay Europe with silver from their mines; and, lastly, of making silver a universal money, while retaining gold on a footing of 15½ as European and American money.

"Now, therefore, actuated by all these considerations, the American, French, &c., delegates have resolved by common

accord to submit to the ratification of their respective governments the following Convention :—

"CONVENTION.

"*Article I.*

"The United States of America, the French Republic, &c., form themselves into a Bi-metallic Union on the terms and conditions hereinafter stipulated.

"*Article II.*

"The members of the Union shall admit gold and silver to mintage without any limitation of quantity, and shall adopt the ratio of 1 to 15½ between the weight of pure metal contained in the monetary unit in gold and the weight of pure metal contained in the same unit in silver.

"*Article III.*

"On condition of this ratio of 1 to 15½ being always observed, each State shall remain free to preserve its monetary types—dollar, franc, pound sterling, mark, or to change them.

"*Article IV.*

"Any person shall be entitled to take any quantity of gold or silver either in ingots or in foreign coins, to the mints of any member of the Union for the purpose of getting it back in the shape of coin bearing the State mark; the mintage shall be gratuitous to the public; each member of the Union shall bear the expense of its mintage.

"*Article V.*

"The mints of each State shall be bound to coin the metal brought by the public as speedily as possible and at the aforesaid ratio of 1 to 15½ between gold specie and silver specie; the coin thus manfactured shall be delivered to the person who shall have brought the metal or to his assigns; if the person bringing gold or silver requests immediate payment of the sum which would accrue to him after the interval of mintage, that payment shall be made to him subject to a deduction which shall not exceed two per thousand; the sum shall be handed over at the

will of the paying party in coin, or in notes convertible at sight into metallic money.

"*Article VI.*

"The gold and silver money shall alike be legal tender to any amount in the State which shall have manufactured them.

"*Article VII.*

"In each State the Government shall continue to issue as a monopoly its small change or tokens; it shall determine their quantity or quality, and shall fix the amount above which no person shall be bound to receive them in payment.

"*Article VIII.*

"The fact of issuing, or allowing to be issued, paper money, convertible or otherwise, shall not relieve the State issuing it, or allowing it to be issued, from the above stipulated obligation of keeping its mints always open for the free mintage of the two metals at the rate of 1 to 15½.

"*Article IX.*

"Gold and silver, whether in ingots or in coin, shall be subject to no Customs duty, either on importation or exportation.

"*Article X.*

"The reception of silver shall commence at the same date in all the mints of the Union.

"*Article XI.*

"The present Convention shall remain in force till the 1st of January, 1900. If a year before that date notice of its abrogation has not been given, it shall of full right be prolonged by tacit renewal till the 1st January, 1910, and so on by periods of ten years until such notice of abrogation shall have been given a year prior to the expiration of the current decennial period; it being, however, understood, that notice of abrogation given by States having in Europe less than twenty millions of inhabitants, or subject to the inconvertible paper money system, while releasing those States, shall not prevent or interfere with the decennial tacit renewal of the present Convention between the other members of the Union."

APPENDIX III.

(A.) Questions presented to the English Delegates by Mr. Dana Horton (Delegate of the United States).

1. Was not the pound sterling composed of 20*s*. of silver, the monetary unit in England up to 1861?

2. Was not the unlimited and free coinage of silver money, having full legal-tender force, guaranteed by the law of 1666, and repeated in 1816 at the standard fixed by the law of the 43rd year of the reign of Queen Elizabeth?

3. Have not the exportation of silver money from England in the 18th century and the almost exclusive employment of gold money been caused by the fixing from 1717 of the ratio of 15·21, which gave an excess value to gold?

4. Was not the avowed aim of this fixing to modify the excess valuation already existing of 15½, and to procure for England a simultaneous circulation of gold and silver?

5. Did not France maintain in the century which followed 1717 a simultaneous circulation of gold and silver, except during the period of the Revolution and of paper-money?

6. Did not the double fact that England employed in the 18th century a depreciated money, the guinea, and that the aim of the fixing of 1717 was never attained, naturally result from the fault of the English Government in not having abandoned a false valuation to adopt the French ratio?

7. Did not Sir Isaac Newton indicate the probable necessity of such a measure?

8. Did not Richard Cantillan, Author of the Essay on the Nature of Commerce in General, Paris, 1757, predict 150 years ago that England would be forced in the end to adopt the French ratio?

9. Did not Alexander Baring 50 years ago pronounce in favour of the restoration of the gold and silver standard, by adopting the new French ratio?

10. Was not the prohibitive tariff directed against silver money by the English law of 1816 an innovation?

11. What are the advantages procured by England from this innovation?

(B) Appendix presented by Mr. Dana Horton, as promised at the 7th Sitting, p. 252.

Note on the Relative Disadvantages of a Rise and of a Fall in Prices. (From "Silver and Gold," p. 71, Cincinnati, 1876.)

"Suppose that we have to compare the effects produced on prosperity by an equally sudden and extensive rise or fall in the value of money: which of the two is preferable, all other things remaining the same? The judgment of economists declares clearly that a fall [in the value of money]* is preferable to a rise, or, in other terms, that superabundance [of the precious metals]* is better than rarity."

I can cite, among others, three economists whose authority is recognised in England, in Germany, and in France.

J. R. MacCulloch says (*Encyclopædia Britan. Precious Metals*, 1858):—

"Although a superabundance of the metals which produces a rise in prices [of general commodities],* like the rain which follows a long period of dryness, may injure certain classes, it is of service to an infinitely greater number of persons [than a rarity which produces a fall],* including all those who are engaged in industrial production, and in general it is a piece of good fortune for the public and for the nation."

Roscher (*Grundlagen der National Œconomie*, p. 141) says that great discoveries of gold mines, by preventing a want of metallic money, have saved the world from a serious economic malady. In another place he explains, like MacCulloch and Chevalier, that a fall in the value of money may stimulate an important increase of national production.

* I have inserted the words in brackets because as it stood there seemed to be a contradiction between Mr. Horton and Mr. MacCulloch, but this is because the former is speaking of a rise and fall in the value of money and the latter is speaking of a rise or fall in prices, *i.e.*, the money value of commodities. The words added make this clear.—A. C. T.

Michel Chevalier (*La Monnaie*, 2nd ed., 1866, p. 760) expresses himself as follows :—

"In short, the change would be of advantage to those who live on the labour of the present : it would injure those who live on the fruits of past labour, whether it be that of their fathers or their own. In this respect it would have the same effect as most revolutions, which are accomplished in virtue of the great law of civilization to which we have in common assigned the name of progress."

I must add to this, that in our present society the number of those who can be correctly said to live on the fruits of past labour is very small. Ground rents and the interest of investments depend to so large a degree on the present labour of those who pay them that in an important sense those who receive them live more on the present labour of others than on past labour.

EIGHTH SITTING.

FRIDAY, 19th MAY, 1881.

The Sitting was opened at 1 p.m.

Lord Reay filed a Memorandum addressed to the Conference by Mr. L. C. Probyn, late Bengal Civil Service, of London. (*See* Appendix to the proceedings of the present Sitting.)

The discussion of the General List of Questions was then resumed.

M. Pirmez (Delegate of Belgium). We must not extend the debate beyond its proper boundaries. One single question has been in discussion. Is it possible to establish a fixed ratio of value between the two monetary metals; and more especially, is it possible to do so by taking arbitrarily the ratio of 15½, which is contrary to commercial facts? I have denied this. It is the only point, and the chief point of the whole discussion. I am, therefore, not making a crusade in favour of gold and against silver. I do not wish to see new countries take up the gold standard. I do not deny that a perfect monetary system may be established with a standard of silver; and I have no wish to see the *rôle* of this metal restricted. I have no objection of principle to the rational system which the Russian delegate sketched out, a system which would consist in having silver money at a variable value, and which he has well called bi-metallism with a single standard; what I object to as contrary to the nature of things, and as certain to give results contrary to those which are expected, is the attempt to decree and to maintain a fixed ratio between the two metals. All bi-metallists maintain this theory; but they differ profoundly in their principles. M. Cernuschi claims that his doctrine is the only truly bi-metallic one, and I agree with him in this. This doctrine, which is supported by Count Rusconi and Mr. Horton, admits as a fundamental and

essential proposition, almost as an axiom, that the law, and the law alone, determines and creates, so to say, the value of money. It draws from this principle all the consequences which follow, and it draws them with a rigour of deduction which nothing stops, and a logical inflexibility which geometricians might envy. This doctrine is what I willingly call dogmatic bi-metallism; but my other opponents are far from this theory. Neither M. Vrolik nor M. Pierson, nor Sir Louis Mallet, nor M. Luzzati, nor M. Denormandie, nor Mr. Howe admit the omnipotence of the law. They agree with the principle which we have here defended—the principle of the single standard. Like us, they consider money as a commodity which the state causes to be weighed, controlled, and certified, and of which the value varies according to the development of the consumption and production. They reject the idea that the law can fix the value of it by its order; they limit themselves to saying that the decisions of the law on the employment of the precious metals influence their value. I agree with them entirely on this point. The state can affect the value of money, but in this case what is the action of the law: the introduction of a factor admittedly very important, but of a factor only in the total of offers and demands which determine its value. Mr. Howe has clearly admitted this, when, instead of accepting the ratio of $15\frac{1}{2}$, he has assigned as an object of study for this Conference, a search for the true ratio between gold and silver. Therefore, whatever the law may do, the real value will remain variable; it will undergo oscillations; this will be sufficient to destroy the system; because in a matter where speculation operates by $\frac{1}{1000}$ths and half $\frac{1}{1000}$ths, absolute fixity would be indispensable, and this fixity, according to the principles of which I have spoken, can never be attained. The necessary consequences of this doctrine would be to admit that as the legal ratio is constantly being broken under the weight of facts, it would be necessary, in order to bring into circulation the metal, which its higher relative value would have caused to be withdrawn, to diminish the standard or the weight of the coins of that metal by a kind of alteration of ratio. By always making the higher standard descend to the level of the lower, we should cause the two metals to be accepted in circulation; but at what a price? At the price of installing monetary revolution permanently, of decreeing a continuous fall in the measures of values. The dogmatic bi-metallism of M.

Cernuschi starts from an inadmissible principle; but it is irreproachably logical, and shrinks from no consequences, however strange they may be. Rational bi-metallism starts from true principles, but it does not deduce from them what they contain; for it transforms a simple element of the value of the metals into an absolute fixation of their value. It declares the ratio between two values which it regards in principle as essentially variable to have become invariable. The Conference of 1878 did not condemn our doctrines. I have examined the text. The Conference stated that it was necessary to maintain in the world the monetary rôle of silver as well as that of gold. All of us who maintained the principle of a single standard voted for this proposition; but to avoid a false interpretation, we took care to fix the sense of it. M. Garnier, M. Feer Herzog, and M. de Thörner, explained themselves clearly with regard to this; and what was its meaning, except to explain that the suppression of the currency of silver where it exists might cause serious shocks? I am ready to admit that if India, for example, adopted the gold standard, a grave disturbance of values would result from it; but I should not condemn myself by saying this. I recall to you what Mr. Goschen himself said, in explaining his vote: "This statement does not imply any preference in favour of the double standard. If it were otherwise, my colleagues and myself could not accept it; and again, with regard to the wish which has been expressed that we should leave room for the hope that one day a fixed ratio between gold and silver may be established and an international value be given to them, I must state that, in my opinion, it is impossible to be realized, impossible to maintain in theory, and contrary to the principles of science." Monetary history constantly records variations of ratio requiring incessant re-arrangements. I have shown you how in this century the legal ratio has been unable to maintain itself in France, in Holland, and in Belgium. In our last Sitting the Count San Miguel brought a new and decisive contribution of facts relative to Portugal in support of the proof of the variability of ratio; but how does the error arise? It comes from people considering as realized that which the laws declare. The ratio of 15½ has existed from the commencement of the century on paper; but it has not reached to facts. The Delegate of India has shown us with great clearness the inconveniences of a

monetary standard of which the value is falling, confirming and completing that which I have told you; he has shown us that revenues in fixed sums, while making nominally the sum, are diminished and cannot any longer suffice for constantly increasing expenses. It is necessary to compensate the deficit by an increase of taxes. This increase would only be apparent because it would only compensate the depreciation of the coin; but people in general do not take account of the intrinsic value of moneys and they always think that taxes increase if the number of monetary units taken by the Treasury is increased. These observations are perfectly true; they are true for Europe as well as for Asia; and they deserve the attention of Governments which ought to be thoroughly convinced that by lowering the monetary standard they are going straight towards an apparent increase of taxes which will be accompanied with the same difficulties as if it had been real. We, therefore, see why the Government of India would wish to see the value of silver rise, and why England does not lend itself to raise it by the coinage of silver at home. Mr. Howe protested strongly against the idea that his country was trying to obtain a better market for the product of its silver mines; and pointed out that these mines were of only secondary importance in the immense agricultural and industrial development of the United States. I agree completely with Mr. Howe; but what remains then of the danger of the commercial balance, of the exportation of European coin, of the impossibility of paying for importations—what becomes of the necessity for increasing the quantity of coin, and the advantage of bi-metallism to develope international commerce?

I have proved the excellent situation of the countries with a gold standard. I have only found one malady—that of the countries which have a forced note-currency, and I have pointed out that it is financial, and not monetary. As regards the Latin Union with that which has been called its halting standard, I have thought it necessary to point out that its lameness is not in any way grave and will diminish. Italy has accomplished a great work. I need not recall the sentiments of the Belgian Government towards it; but great things involve great expenses. I have, therefore, made no reproach to Italy. I have simply expressed a hope. But if there is one state which throws off all idea of illness or bad treatment, it is that of which Mr. Howe is the delegate: all the world proclaims unanimously the prosperity of the United States.

M. Denormandie pointed out, to show that the commercial balance is not a vain phantom, the five milliards [£200,000,000] of difference which, from 1876 to 1880, occurred between the importations and exportations. But does not this very figure show plainly how much the balance is imaginary? If it had been necessary to pay the five milliards in coin, there would have been none or very little left in France. Now the vaults of the bank and the circulation overflow with it. It is, therefore, here; it has not left; or if it has left, it has returned. If it had been necessary to pay such differences in crowns, what use would have been this panacea of the coinage of silver. To pay them during a few months, or during a few years, and what after that? It seems that Mr. Howe also feels this dread, that in default of a monetary circulation with a double basis, Europe may be for America only a correspondent which cannot carry on business; but he has himself reassured us by showing us that international commerce consists in the exchange of commodities. If the United States send us the products of their agriculture or their industry, they will take our products.

We must abandon this idea of searching in bi-metallism for the means of developing international commerce. There is in this respect another means: it is to throw down the obstacles which protective rights create, to suppress the artificial barriers which hinder the commercial relations of nation with nation, and to restore to the activity of the world the liberty of its actions. This is the way of progress. If I permitted myself to say that the governments, and we, who are their delegates, are powerless —and this is a reproach which M. Denormandie makes to me— it is only on one point. It is in the efforts made to establish the fixed ratio of the monetary metals. Without quitting our special matter, is it necessary, because we should abandon this unrealizable idea, to declare that we have really nothing to do? M. Lévy pointed out to me a short time ago the important employment which silver would have if they suppressed gold pieces and bank-notes of less than 20 francs. And if that were not sufficient—if in the Latin Union the pieces of 5 francs, in spite of the resumption of money payments by Italy, remained in dangerous excess—would it be an impossible task for the 70 millions of inhabitants who compose it to modify this circulation? These are problems which I merely point out without pre-judging anything. In only looking at bi-metallism we are

led away from the study of them; we do not sufficiently see that whatever may be done, it will always perform the functions of a sieve, keeping back the evil, and letting pass the good. There is a consequence of the debased monetary *régime* which it will produce, to which I would call your attention. London is now the great place of liquidation of the commerce of the world. It owes, without doubt, in great part, this position to its commercial importance, but it owes it also to the security of its monetary *régime*. People wish to be paid in gold; and as recent proofs of this are the loan which Hungary contracts at this moment, and the loan which Italy announces. If you wish that some time or other the great commercial places of your country should partake with London the great financial rôle, you must have a monetary system as good as that of England.*

* M. Pirmez evidently means a gold mono-metallic system, but Mr. Goschen, whose authority will be admitted by all, distinctly denies this in his Report to the Treasury on the Conference of 1878; see pp. 6 and 7, where he, Mr. Hucks Gibbs and Sir T. L. Seccombe (the three English Commissioners) say—

"We were unanimously of opinion that it was wise to place before the Conference some considerations which, in our judgment, might be adduced against what may be called a propaganda in favour of a single gold standard in countries where it has not yet been introduced. There appeared to us to be some danger lest the natural opposition which the proposals of the United States called forth should be carried to the extent of an argument or a declaration, still further impugning the position of silver as a factor of currency. We considered that, while a universal double standard was a utopian impossibility, a single gold standard throughout the world would be a false utopia, and that further steps in that direction might tend to produce incalculable disasters to the commerce of the world.

"We thought, too, that if the propositions of the American Delegates should be simply rejected, that rejection might be erroneously interpreted by the public, who might see in such a declaration a verdict given against the use of silver as money. The future situation of silver might thus be further compromised, and an impression produced which would not be in accord with the opinions of the great majority of the Conference.

"It was clear that in the American text there was one declaration for which nearly all the Delegates might vote, and to which we ourselves were prepared to subscribe; that is to say, that it was not desirable that silver should cease to be one of the monetary metals. . . . . 'While putting aside entirely the question of the double standard, there was another question which appeared to be practical and useful to put, viz., assuming that the general double standard proposed by the United States could not be adopted, what would be the future of silver; what would be the policy to be pursued; towards what aim ought the various states to direct their efforts? This aim we considered to be to keep silver in the position which it occupies at present as the partner or natural ally of gold in all parts of the world, *where it might be possible to do so*. We considered that a campaign undertaken against silver would be exceedingly dangerous, even for the countries who have given a position as legal tender only to gold.' *

* Procès-Verbaux, 3me Séance, pp. 5 and 6.

To act otherwise is to shut off all hope from yourselves. France would, without doubt, not wish it any more than Germany, which has told us its views on this point. Even for Belgium we have sufficient ambition not to renounce it; this is a matter of vital interest.

Count Rusconi (Delegate of Italy). The whole discussion turns on the definition of money. It is by this declaration that I finished what I had the honor to say to you the other day. Let us then define this declaration; a crowd of interesting consequences may flow from it. Is money a commodity? What characteristics has it which are common to it with commodities? Is it sold? Is it bought? With what is it paid for? What is it which makes money? Is it not the law? If the law does not make it, how can it unmake it? Can the law suppress heat, electricity, or any natural phenomena? Do not the precious metals lose $\frac{9}{10}$ths of their value if their faculty of being converted into money is taken from them? What has happened to silver, and what would happen to it if its coinage was suspended and forbidden everywhere? Would not this metal lose imme-

"We did not feel that we were precluded from taking up this ground by the fact that the English Government, not less than the English public, are perfectly determined to abide by a gold standard in the United Kingdom. The enormous interests of England in India gave us as good a locus standi, as regards the question, as that of the representatives of any other country, and we were able to point out to the Conference that the English came with the cleanest possible hands before the Conference in this respect. It could not be urged against us that we were arguing against the abandonment of silver in other countries, and had at the same time taken steps ourselves to limit the use of silver in our dependencies where a silver currency existed. We were able to point out that while the Latin Union and Holland had restricted the free coinage of silver, in India no steps against silver had as yet been taken. What would have been the position of silver, we were able to ask, if the metal had been demonetized in India as it had been demonetized elsewhere?

"We further showed that in the controversy in favour of a single gold standard the question as to the mode in which existing stocks of silver were to be disposed of had been insufficiently considered. It was assumed that states would endeavour to rid themselves of their silver currency at the earliest possible date, but if this policy were followed by many Governments, what buyers would there be for the silver to be disposed of? How could it be assumed that silver would be bought, if simultaneous steps were taken everywhere for its disuse as an active agent in the currency? Consequently, the further prosecution of the policy in favour of as universal a gold standard as possible would be likely to cause a further depreciation of silver, the proportions of which it was impossible to foresee. The monetary and commercial disturbances which would be produced by such a fall could be readily imagined, nor could the actual loss which would fall on various states be left out of account.

"The loss which would be incurred in the Eastern dependencies of the British Empire and of Holland was of course patent to all. Nothing surely

diately nearly the whole of its value? Is not intrinsic value an abstraction? Is it not like the colour which the vulgar think they see in objects, and which is really in the light? Now as the colour is in the light and not in the objects, so the value is in the same way in the law, as far as concerns the precious metals, and not in the material. What is intrinsic value? Is not all matter equal ? Is a molecule of gold worth more than a molecule of mud? The Conference of 1878 has ended in nothing, I admit; but it is for that very reason that I did not join in its conclusions; that I was the only one of its Delegates, with my colleague of that time, who refused to sign the declaration which Mr. Goschen drew up and which everyone except myself accepted. I wish M. Pirmez to reply to me what is money?

M. Pirmez. It is a commodity; but a commodity weighed and controlled by the state.

Count Rusconi. If the Conference makes this declaration, all debate is closed in reality, and the law of bi-metallism and of the ratio becomes absurd and impossible.

M. Seismit-Doda (Delegate of Italy) thought that the Conference having arrived at the end of the first part of its labours

would create greater disorders in the economic situation and produce a more disastrous crisis than a general effort on the part of all states to rid themselves of their silver at the same time.

"A further point would be whether, if there should be a further considerable disuse of silver, and especially if the countries which have now a forced paper currency should ultimately adopt a gold circulation, the demand for gold would not be so great as to render it difficult for the existing supplies to bear the strain, and whether the additional demand for gold might not cause formidable convulsions in trade and finance?

"We were unanimously and emphatically of opinion that it was better that the currency of the world should continue to rest upon the two metals than that any efforts should be made to displace silver from its share in performing the work of the currency at large.

"We think we may fairly state that the considerations thus put forward did not fail to produce some effect, even upon the representatives of states who had hitherto been most active in the propaganda for the adoption of a single gold standard, and the feeling was general that it would be wiser not to give a simple negative to the proposals of the United States' Commissioners, but to make a declaration in reply, which, while it should distinctly exclude any misapprehension with regard to the possibility of the adoption of a common relation between gold and silver by a universal international agreement, should also embody an opinion that silver should continue to share the work of currency with gold. Accordingly the following answer was drawn up:—

. . . .

"1. That it is necessary to maintain in the world the monetary functions of silver as well as those of gold . . . ."

This hardly accords with what M. Pirmez says.—A. C. T.

would hardly wish to separate without having voted a motion which should affirm the necessity to do something in the interests of the rehabilitation of silver with the ratio of 1 to $15\frac{1}{2}$. He would have been happy to take the initiative in a proposal of this kind; but the later events which have just happened in Italy impose on the Italian delegates an extreme reserve, and oblige them to speak only in their own personal name. He must, therefore, confine himself to pointing out to the Conference the necessity of a motion conceived in this sense, and to declare himself ready to support that which had just been made by the delegates of another power. The Italian delegates associated themselves fully with the declarations presented by Messieurs Denormandie and Cernuschi, as well as Sir Louis Mallet, on the subject of the necessity of raising the value of silver, and of establishing a fixed ratio between the two metals. The Delegate of Belgium said that it was not possible to fix by law the ratio of value between gold and silver, and further on he spoke of the absolute value of the two metals. Can M. Pirmez say what is value? Is there in the world such a thing as absolute value? Is not value always relative? He himself has admitted it; but can we not then ask him if it is the metal, white or yellow, which serves to buy the object of which the consumer has need or to pay for the service rendered. Is it not rather the quantity, the monetary unit, whatever may be the metal, which serves for the remuneration of the service rendered, or for the purchase? The very words prove it is; for the terms which serve to designate money imply an idea of quantity and of counting. If we admit that it is the monetary unit which possesses the power of purchase, is it possible to have it in gold? Was not the Latin Union obliged to renounce even the mintage of the piece of 5 francs in gold, which was used up too easily? Could we make gold francs and preserve them as monetary units? Can we calculate in what proportion they would be used up and lost? They object, it is true, that we already use subsidiary money, coined with silver of an inferior standard; but we accept for 5 francs, 5 monetary units at a fineness of $\frac{835}{1000}$ths, why should we not accept equally 5 monetary units represented by a piece of 5 francs in silver of a fineness of $\frac{900}{1000}$ths.

M. Pirmez does not admit that the law fixes what we call the value of money, because he asserts that gold and silver are

commodities. But he asserts at the same time that the precious metals have an intrinsic value. It is not very easy to understand to what this expression, "intrinsic value," corresponds. In reality the value of the precious metals may be considered as the resultant of the cost of production; that is to say, of the salary of the workmen, of the cost of extraction, and of transport, and of the working up of the metals. All the expenses constitute the cost, the nett cost of the metal which we use to make money; but they do not represent the intrinsic value of money, and this intrinsic value in reality evades argument.

The essential idea of this Congress, that which was put forward by France and the United States, and which consists in fixing, or rather in maintaining, the ratio of 1 to 15½, has already obtained numerous and important adhesions. British India has openly joined it through Sir Louis Mallet; Germany, without confessing that she has made a false step, is visibly uneasy, as is shown by the declaration of Baron Thielmann; Spain and Holland have expressed this idea, which Austria-Hungary seems about to join, that it is necessary to raise the value of silver, and to make bi-metallism the basis of an international treaty between the different states of Europe and of America; Italy declares in the same sense. We should be wrong, in fact, to suppose, as M. Pirmez did, that she had a preference for gold mono-metallism, because in the approaching loan which she is about to contract, she requires that two-thirds of the payments should be made in gold. If Italy, therefore, demands 400 millions in gold out of 600 millions of her future loan, it is not only from a preference for gold, but from necessity; it is because she sees silver depreciated by the suspension of coinage in the Latin Union; by the gold mono-metallic legislation of Germany; by this very series of measures which she demands, and of which she demands the reversal. But until she obtains it, she is obliged by the most elementary prudence not to expose herself to serve as a reservoir of debased metal, and, as M. Magliani, Finance Minister, said in the Italian Parliament, "to become the monetary India of Europe."

The gold mono-metallist states are interested like the bi-metallist states that the Conference should not be adjourned without having given, at least, a pledge to the nations, which await its decisions with impatience. Baron Thielmann, in the name of his Government, has declared that Germany was dis-

posed to do all that was possible to facilitate the conclusion of a monetary convention between the different states of Europe, to prevent their suffering from the demonetization of German silver. If it should be continued, he added that Germany could slacken this demonetization—could reduce it and effect it gradually or place itself in agreement with the other States on its manner of proceeding. Mr. Fremantle also stated that he had come with the strongest intention of searching means for stopping the depreciation of silver. It is evident in fact that England has a capital interest in not allowing the monetary difficulties of India, which have been pointed out to us so vividly by M. Cernuschi and Sir Louis Mallet, to be perpetuated and aggravated. These difficulties inflict on this great British possession an annual loss of 15 to 20 per cent. on the sixteen or seventeen millions of pounds sterling, which she pays annually to the English Treasury. M. Pirmez himself declared that something must be done, and, while reproaching the bi-metallists with exaggerating the evil, he admitted the existence of a real uneasiness which it was necessary to remedy. It is true that he wished to change the ratio of 1 to 15½, but is it to be imagined that such a modification is practicable? Is it thought possible to demonetize the 8 milliards of pieces of 5 francs [£320,000,000] now in existence? Who could we advise to take the initiative in such a measure—in the losses which it would draw with it, in the frightful crisis which it would provoke? We are not discussing such a resolution now; we are discussing the means of re-assuring Europe, the two worlds, and humanity, on the value of one of the two precious metals which serves as a sign and expression of its wealth. The Monetary Conference of August 1878, whatever may be said about it, expressly recognized the utility and the urgency of measures of this kind. It proclaimed the necessity of re-habilitating silver; it belongs to the Monetary Conference of 1881 to confirm and complete the vote of its predecessor by declaring, after the first stage of its labours, that it is firmly resolved to advise the adoption of practical measures with a view of raising silver from the discredit into which it has fallen. If the Conference adjourned without pronouncing a decision, its silence would be certainly interpreted in a sense unfavourable to silver and would have as a consequence a new and a considerable depreciation of this metal. This is a result which everyone assuredly would wish to avoid.

Baron Thielmann, referring to the words just spoken by the first Delegate of Italy on the subject of the intentions of Germany, thought it necessary to renew the reservations which he had already made at the last sitting. The Imperial Government had not made proposals to the powers represented at the Conference; its delegates had simply indicated the way which would have to be followed in order to arrive at an understanding, but the Cabinet of Berlin reserved entirely its right of action.

M. Seismit-Doda replied that he had simply taken notice of the declaration which had been made in the Second Sitting by Baron Thielmann, and, from it, it followed that the German Government was quite ready to examine proposals tending to put an end to the depreciation of silver.

Baron Thielmann declared that in these terms he entirely agreed with the first Delegate of Italy.

Mr. Dana Horton (Delegate of the United States) read the following address:—I do not think it possible in the present state of the discussion to vote a proposal which can resume in a few words the proceedings of the Conference. The practical disagreement between myself and Count Rusconi with regard to the necessity of engaging the Conference to agree to a definition of money had a similar character with my opposition to the idea expressed by M. Seismit-Doda. It will perhaps be more sincere if I confess that my manner of examining things is not only individual, but that it depends on a difference of race. These distinguished orators are of the Latin race, while I belong to the Teutonic race, and I think there is something in my blood which inspires the fear of trusting to definitions. I confess that I never had for a moment any objection to consent to the expression, "Money is a commodity," if they insist on employing it, and I think I can overcome the conclusions of M. Pirmez on this ground as well as on another. It was for me a question of style and a difference of words, rather than of ideas. I may even say that similar differences exist between me and M. Cernuschi. This is very natural. There are many means of arriving at the same truth, and of presenting it to others; but on account of these different ways of presenting a subject, it is better not to confound them. For example, the Delegate of Belgium did me the honour to mention one of my writings which has been presented as an Appendix,* in order to avoid the

* *See* Appendix III. B., p. 269.—A. C. T.

necessity of occupying the time of the Conference. Unhappily it is evident that M. Pirmez, although he wishes to reply to it, has not done me the honour to comprehend it. If he would give himself the trouble, I would ask him to grasp this point. The opinions he expressed on the relations between law and money seem to me to touch a very old and difficult question, and one which in a certain sense is impossible to resolve. If it is so, it is well worth the trouble of proving the fact. It is a question of will, of free judgment. What, then, are motives? What is it which produces a decision? Do the motives, or does free will, exist?

Lastly, among practical men it is agreed, I think, that the will and free judgment exist: it is a fact which the practical man does not deny; but he no more denies the existence of motives. Now, in a main sense, the law is the will of society. Is there not also then a free judgment? I think that the law acts a little like an individual; but in saying this, I do not wish to say there are not motives. The Delegate of Belgium, on the contrary, seems to me to wish to base his theoretic arguments against the existence of the will on the existence of motives. Would it not be better to bring it back to a practical ground by asking what would be the effect on the ratio between gold and silver if England and Germany formed with us a bi-metallic union.

At one of the preceding Sessions mention was made of the views expressed, outside of the Conference, among the learned men who abound in Paris, concerning the aim and motive of our reunion.

The fact was thus recalled to me that a great deal had been written and said in various quarters, about the United States, and about the reasons which had led my country to interest itself in the Silver question, and that the press had largely reproduced these observations.

I cannot say that it surprises me to observe a certain confusion of ideas with reference to the monetary policy of my country. This is the fourth time that I have come to Europe since my entry, in 1876, into monetary controversy as an apostle or advocate, in my way, of a Bi-metallic Monetary Union, and each time I have been able to recognize the same phenomenon; it is all very natural; the New World is a long way off.

But when the great Republic of the New World, by the Conference of 1878, put itself in the chair to teach political

economy to the nations of Europe, it caused a peculiar perturbation in the scientific mind. It is to furnish information, in order to calm this perturbation, that I address you to-day.

You are aware that grave works of philosophy, destined to exhaust some great subject, are wont to commence by laying down general principles—*im Allgemeinen*, as our brothers of Germany would say. Following this example, I propose to enter upon our present subject by laying down general principles, and I shall do so by means of a parable, which, at the same time, is a true story.

In the month of October, 1868, I was in Switzerland, and as I was reclining on the slope of the mountain that looks down on the famous valley of Lauterbrunnen, opposite the Staubbach, I talked with my guide. Among other things the good man told me that further on, in a certain direction, there were great forests, and in these forests large wolves, and very fierce; that these very fierce wolves were not native to these forests. But, said I, where do they come from, these wolves?

He answered me that *they came from America.*

I was struck dumb. There was nothing to be said. I admit to you, in all frankness, that the man who said that was perfectly sincere. He had no prejudices: no ulterior purpose to serve. He knew nothing of the Phylloxera—that fearful scourge of which Nature, and not man, in America is responsible. The protectionists of the farming interest had not yet invented the Trichina or the diseases of American cattle as a political instrument. No, on the contrary, the man's geographical and zoological science was the natural product of his naïve and simple intelligence.

I think we can say as much of monetary science when it speaks, as it speaks sometimes, of the metal silver and of the Americans. For my part, I can only say of these interpreters of monetary science, as I do of my man of Lauterbrunnen, *O sancta simplicitas!*

Among the questions which have been suggested by speakers who have preceded me are the following:—The present circulation of silver coin in the United States; The future productions of the silver-mines; The interest of the United States as silver producers; Will silver from American mines be exported to Europe if the Bi-metallic Union is formed? The need of enlargement of our present stock of metallic money; The

motives which have led the United States to take the initiative in the formation of a Bi-metallic Union.

I shall treat of these questions in the same order.

With reference to the circulation of silver in my country, three important points are to be considered :—

1st. We are accustomed to the use of paper ; which, however, does not mean that we are not "metallists." We simply allow the precious metals to act, so to speak, by attorney. They enjoy all the advantages of the rule of law—*Qui facit per alium facit per se.* Formerly we had the system of gold certificates of deposit; now the greenbacks, payable on demand in gold, but never paid, because no one asks for the coin, are themselves, in a manner, gold certificates of deposit. We have also the silver certificates of deposit, which, like the bank-notes of our national banks, circulate on a footing of equality with the greenbacks.

2nd. At the end of 1880, 31 per cent. of our greenbacks and bank-notes were of the denomination of 5 dollars or less, and 81 per cent. were of the denomination of 20 dollars or less, and so below the value of the smallest note (£5) used by the Bank of England.

3rd. The custom of using cheques is, I think, even more developed among us than it is in England, and, in fact, is developed to an extent of which it would be difficult, I think, for one accustomed to the use of cheques on the continent of Europe to form an idea.

In the state of affairs thus indicated there is naturally very little gold and still less silver in actual use. The pockets of the public contain neither the one nor the other in large quantity. As far as silver is concerned, the table given by the Director of the Mint of the circulation of silver dollars (Nov. 1880) indicates that of the 72 millions coined [£14,400,000], 36 per cent. circulated in specie, 25 per cent. by means of the certificates of deposit, while the rest were in the treasury awaiting distribution. A later statement (30th April, 1881) shows that 50 millions [£10,000,000] of silver certificates have been issued.

We can now turn our attention for a moment to the fear which has been so often expressed that the mines of Nevada will increase their annual yield of silver. The honourable Delegate of Norway has recalled to us, that in 1878 the American Delegates (it was the Honourable Mr. Groesbeck of whom he was speaking) had announced that various silver mines in Nevada seemed to be

nearly exhausted, and that the yield was diminishing. The fact is that the figures given by Mr. Burchard, the Director of the Mint, indicate a production estimated for 1878 at 45 million dollars [£9,000,000], for 1879 at 40 millions [£8,000,000], and for 1880 at 37 millions [£7,400,000] (I shall present an exhibit which contains the exact figures); so that these views expressed in 1878 seem to be justified.

But, in my view, the question of one or more correct predictions is here a matter of minor importance; I prefer to reply to the points made by the Delegates of Norway and Belgium, with an admission of the probability that the free coinage of silver, and the rise of its ratio to gold, will produce the effect of stimulating the production.

But at the same time I shall have to enter upon the record a formal protest against a claim which these gentlemen seem to me to present; and that is, that they have, in their argument, the right to the advantages of two contradictory hypotheses at the same time. When an argument has been built upon a legitimate prediction (that is, upon a calculation of probabilities) it will not do to turn right-about, so to speak, and construct an argument on a prediction diametrically contrary to the first. The clause of "the most-favoured nation" regulates our relations, I admit. We have, here at least, all of us—mono-metallists, bi-metallists, two-metallists—free coinage in our arguments, freedom of exchange in our ideas; but that does not imply any rights which are not recognized *jure naturæ et gentium*.

If the rise of silver and fall of gold, which is to take place when the Bi-metallic Union is established, is to bring about an enormous rise of prices (and, if I have rightly understood them, this is the argument of the honourable Delegates), there will be no more profit then than there is now in working silver mines; the same per cent. will have been added to the cost of producing silver which has been added to the gold price of silver.

But let us accept, if you will, the hypothesis as it has been presented to us; admit for a moment that there will be an increase of 100 million francs [£4,000,000] in the annual yield of silver. What will be the effect of it? We have, according to Dr. Broch, 16 milliards (francs) [£640,000,000] of silver money, and there is an enormous mass of uncoined silver beside. Can you see, in an increase of 1½ or 3 or 6 per mille above the average annual enlargement of its stock of metal, a fact which

contains any menace against the monetary peace of a world which destroys every year, and which has absorbed every year for centuries, such an enormous quantity of the two metals?

As for the interest of the United States as silver producers, of course there are individuals who have a certain interest in a rise of silver. Any one who desires to take the trouble can calculate what this interest amounts to; and then when he has made the calculation it may be necessary to cross off almost the entire sum, on account of the loss which the gold-mining interest may suffer by reason of the fall of gold or loss of anticipated profit from its appreciation. But I think that I have already indicated that it is rather the part of my philosopher of Lauterbrunnen than of a serious man to attribute importance to the silver-producing interest in the United States.*

In our discussions there is question of the exportation of silver from the United States. In saying that rivers never ascend to their fountain heads, M. Pirmez has expressed, with his habitual *esprit*, the fear, so generally felt, that American silver is about to inundate Europe.

Now, what are the actual facts? How much new silver coming from the mines has been exported to Europe from America in these late years? I cannot give the precise figures —I hope to procure them; but my belief is, that the yield of American mines has had for its market Asia, by way of San Francisco, and the American Mint. But the United States produce a great quantity of gold. During the last twenty years they have produced far more gold than silver (rating these metals at $15\frac{1}{2} = 1$); and within the same period the United States caused their stock of gold coin to be transported to Europe, in 1862-63, when the paper money was issued. I shall therefore say to M. Pirmez, as I was obliged to say to the Conference of 1878, if you predict for Europe an inundation of silver, why not also an inundation of gold?

A great country which has 32 francs [26*s*. 8*d*.] per head of gold coin and 12 francs [10*s*.] per head of silver coin (small change and dollars taken together), which possesses a vast and yet uncolonized territory—a country whose population increases in enormous

*** Mr. Goldwin Smith in his address at the Dublin Social Science Congress on the 10th October, *assumes* that the whole movement in favonr of bi-metallism is due to the silver-owners in the United States. Mr. Dana Horton, here, and Mr. Howe, p. 217, ably refute this supposition.—A. C. T.**

proportions—a country which still holds its paper money ready to be retired—can certainly undergo the burden, at least for a series of years, of employing at home all that part of the annual yield of its mines for which Asia, by way of San Francisco, makes no demand.

But I cannot believe that the Delegate of Belgium is really in earnest in this matter.

As a former member of the Conference of 1878, he must know the object of that Conference. That object was the formation of a Bi-metallic Union; and every one knew that the only practicable ratio for such a union was that of 15½ to 1; and therefore it was the ratio of 15½ which was to be established in the United States. It is generally known that since then the United States have drawn to themselves a great quantity of gold, and that the larger part of this gold has come from Europe, while the share of new gold from the mines which is kept in the United States is much greater than formerly. Of course this increase of the need of keeping at home the newly produced gold has, in a certain sense, the same effect as an increased employment of gold which is met by bringing in gold from other parts of the world. We have to consider not merely the gold taken directly from Europe, but also the gold which, in what might be called a normal state of affairs, would have been taken to Europe, but which, in fact, is now held back in America.

Now, from the beginning, I must confess, I have regarded it as the probable result of a Bi-metallic Union, that the dollars of the Latin Union, the five-franc pieces, would be recoined into American dollars. I remember having said, in the Conference of 1878, that the United States were drawing, and would continue to draw, to themselves a large part of the metallic stock of Europe, and that the question for the Conference was whether they should take silver or gold.

The Delegate of Belgium seems to have been very indifferent to this question. Unfortunately it is a question which does not permit itself to be suppressed.

And it is still under discussion. People ask with great interest, how far the metallic stock of the United States is likely to increase.

I am no prophet: I shall merely try to point out some elements for a calculation of the probabilities in this matter.

Our paper money is not yet retired and replaced. To retire it, or to cover it entirely with a metallic reserve, would imply a contraction of the monetary basis of the world's business by perhaps a milliard of francs [£40,000,000]. Each year we take actual possession of a great extent of land in the deserts of the Far West; and everywhere in this territory there will be a need to use cash. The banking system, the use of cheques, is already developed to a very high degree. I know of no probable change in the direction of increased economy in the use of our stock of money, except, perhaps, the establishment of a national Clearing-house. I conclude, therefore, that, in a normal and prosperous state of affairs, the United States will employ, at least for some years, a constantly increasing stock of the money metals.

Let us ask, then, what would have been the result if the proposition of the United States in 1878 had been accepted, if the coinage of silver had been free in the United States, if the United States had drawn to themselves silver instead of gold—what would have been the effect, I say, upon the state of business in Europe?

We have here a question of the highest importance, concerning which the Delegate of Belgium also shows himself somewhat indifferent.

I remember that, in the Conference of 1878, I found myself forced to reply to remarks made by the Delegates of Sweden and Norway in defence of the gold standard, that the experience of their country favourable to this system by no means settled the question what would be the situation of these countries if the Bank of England should find itself compelled to protect its gold reserve by an extreme elevation of its rate of discount. I remember also that, some weeks after the Conference of 1878, I read in the papers that precisely this event had actually occurred, in consequence of the exportations of gold to New York, and that affairs were taking a bad turn in the Scandinavian countries.

I ask myself whether it is possible that the great Bank of Belgium could be so entirely outside of the current of international business, that it can have been unconscious of the exportation of gold since 1878. I do not believe it, I cannot believe it. Indeed I should be astonished to learn that this great Bank did not suffer considerable embarrassment, and that it did not employ its five-franc pieces with ability, as the astute

Bankers of Holland did, in maintaining its gold reserve. In fact I may say that, if I am rightly informed, the silver five-franc pieces have made frequent and long journeys, have been sent about on every hand, have circulated with great rapidity between Belgium and France, at the instigation of those whose interest it was to hold back, to keep within the country the Belgian stock of gold.

It is therefore a vital question, what would have been the effect upon the business of Europe, if America in these later years had taken five-franc pieces at a stable permanent rate, a rate guaranteed by the civilized world?

In looking for an answer let us place ourselves upon a still higher stand-point: let us ask what would have been the effect if neither Germany nor other countries had suspended the free coinage of silver?

In those questions, I think, will be found one of the most effective ways of getting at the root of the matter, especially as this point of view of the *status quo ante bellum* has hitherto been a little neglected.

The existence of a money basis for the business of the world is a fact; it is not an abstraction, it is a reality. At any given time there is just so much money in the world. On this foundation rest all valuations, all systems of credit, all investments, all business, all prices of merchandize and of real property. It is also a fact, and a fact which must be equally respected, that, under circumstances which we can now regard as normal, this basis increases every year.

Here, then, are the two controlling facts—a certain quantity of money in existence and the need of an annual increase of this quantity.

You may say with Ricardo that if this base were half what it is, if for example, the world were using to day 17 [£680,000,000] instead of 34 milliards [£1,360,000,000] of coin, money would render the same services to humanity as before. This is absolutely true. Here I admit that the Delegates of Sweden, of Belgium, and of Norway are in the right. But this saying of Ricardo's is true in the same sense as it is true that if it had pleased the destiny which rules these matters to make us all a foot shorter than we are, men would still be men. The thing is conceivable, but it is not practicable.

So in the same way, if you suppress the intermediate steps and strike directly for the result, you can say "I find no incon-

venience in a fall of prices. Indeed it would be very convenient, metallic money is so heavy, we have to use such large figures in money calculations. All that ought to be changed."

But it is not the result, it is the means of arriving at it that is important. Of course I can say, if I wish to, that I should be perfectly content if I were to lose a foot of my height. But how are you to arrive at a height of 5 instead of 6 feet? Here is the question, here the difficulty, which the Delegates of Belgium, Norway, and Sweden seem rather to evade.

The world of business, the world of men of enterprise, the world in the midst of which men of force and of capacity act, is an organism; and the motive which urges these men to the production of wealth is the hope of receiving a little more than they give; it is the difference between the cost of production and the price at which sale is made afterwards which makes the organism move. When all the prices at which sales are made are falling, when the force of gravitation which rules the world slackens, there is less movement, there is less production, less consumption, less success in business; there is embarrassment, there is a prolonged crisis, or what we call in English, hard times. When prices rise, on the contrary, there is always an encouragement to production.

To sum up the matter, I hope that all will admit that the great problem of monetary legislation is, and always will be, to maintain the stability of the international and national purchasing power of money. Here is the ideal—stability. Now the organism of business is such, that when money rises in value there is a tendency on the part of the man of enterprise to cease to create wealth; while when money is falling in value there is a strong tendency to induce him to increase his production of wealth. *Primâ facie*, then, if it be absolutely necessary to choose between a partial exhaustion of the mines and an increase in the annual yield of the mines, we must choose the latter.

Such, at least, are the conclusions at which I arrived five years ago, when I entered into monetary discussion. I have never had the honour since of hearing any arguments which directly replied to the question as it then stood. I shall, therefore, beg my colleagues of Belgium, of Sweden, and of Norway, to consider whether I am right, *primâ facie*, as the question now stands, and whether the *onus probandi* does not rest upon their shoulders.

Now, the issue of paper money by the United States in 1862-3-4, and the issue of paper money in Italy, in 1866, had the effect of reinforcing the movement towards that more than normal enlargement of the money-basis of the world's business which took its rise in the mines of California and of Australia.

Already, after 1870, this movement was checked, the production of gold was diminishing, when a contraction of the money-basis was commenced in a different way. The various measures adopted in different countries with reference to silver coin and bullion had the effect of sending a certain amount of silver to countries where the circulation is slow, of keeping a certain amount of silver in the condition of bullion, of embarrassing the circulation of silver coin—that is to say, of preventing existing silver coins from performing their duties as money in the regular way. The effect of the monetary policy of the Western World was, therefore, to contract the money-basis up to a certain point. But this effect was produced just at a period when, from my point of view, the enlargement of the money-basis through the paper money of the United States and of Italy had ceased to be operative, and when the annual production of the two metals did not, in all probability, exceed the normal need for the annual enlargement of the money-basis. It was just then that this attack was made upon the metallic stock of the world.

Primâ facie, then, the persecution of silver had a great deal to do with the prolonged "hard times" which have followed 1873.

If answers could be made to the question which I have addressed to the Delegates of the Conference with reference to averages of price, it would probably be found that the purchasing power of money has increased. But with this you will not have taken account of all the loss. You will have calculated, so to speak, the *damnum emergens*, the actual loss, but will not have taken account of the *lucrum cessans*, the loss of profit, which might otherwise have been gained.

You observe that I do not speak of the damage suffered by commerce between Europe, Asia, and South America. This point has already been fully discussed before the Conference. I ask you, therefore, for the moment, to eliminate this point from our consideration, as far as this can be done. It is of the production and of the investments of Europe that I speak. If it

be desired to consider the question as it appeared in England to English scientific men, I shall have the honour of presenting you with some investigations into the fall of prices in England, as an Appendix to the Proceedings.

I hope no one will suppose that by what I have said I mean that the free coinage of silver in the Western World would have prevented the crisis of 1873. This is in no sense my meaning. I merely say that, *primâ facie*, looking to the facts as they stand, the crisis would not have lasted so long, would not have been so intense, if the free coinage of silver had never been interrupted. It is no answer to reasoning of this sort to speak of the special events of the crisis of 1873, of speculations here and there, of railroads in America, and of stock companies in Germany: these are waves, very high waves, very disastrous waves: I recognise the fact; but what I am talking of is the existence of a tide.

Well, the tide is threatening us still. But it is the same tide which was threatening the world three years ago, when the United States convened the Conference of 1878. It was the duty of my country to contract the world's money-basis by accumulating a stock for the restoration of payments in coin. What part of the two milliards [£80,000,000] of gold, which constitute our total stock, must we attribute to the monetary policy which aims at the retirement of the greenbacks? This is a question into which I have not time to enter. It is a branch of the matter at issue between M. Pirmez and myself concerning the influence of monetary legislation upon the employment of different kinds of money. But I cannot suppose that M. Pirmez would maintain that, had the paper-money party in the United States succeeded in defeating the measure for Resumption of Specie Payments, we should have had by this time the same stock of gold we have now. In any case it will be necessary to ascribe to our monetary legislation the presence in the United States of a large sum of gold, the dividing up of which, at the present time, among European banks, would, I think, produce a very agreeable effect in Europe.

I do not believe that this second arbitrary and artificial contraction of the world's money basis has had a good effect upon Europe. I may add that, in my belief, it is not merely an occasional rise of the rate of discount in Europe which indicates either the *lucrum cessans* or the *damnum emergens* of monetary policy: it is the direction taken by capital.

Now, as we have already seen, this diminution, this contraction of the money basis never would have taken place if Europe had accepted the Bi-metallic Union proposed by the United States in 1878; inasmuch as the restoration of free coinage of silver would have set free an amount of metallic circulation sufficient to supply the demand of the United States. Is there to be a third contraction? Is the ebbing tide to land Europe on the breakers which are ahead, but which may be covered by safe waters if the Bi-metallic Union be formed? This Conference will, in the end, decide this question.

Meanwhile I ask you to think of a further contraction of the money basis which is possible. The silver money of Europe, if it were sold in India! the 5-franc pieces, the thalers! There you have a terrible contraction, the result of the propaganda for the Gold Standard, against which, in 1878, the voice of England pronounced itself so clearly by the speeches of Mr. Goschen. I must confess it seems to me that, even in 1878, to oppose the propositions of the United States was like dancing upon a volcano.

What were the motives which led the United States to take the initiative, in order to replace the monetary *dead-lock* inaugurated by Germany (imitating England), by a new balance of power in the Western World?

I reply that, in the first place, the degradation of silver in the Western World acted, so to speak, as a conspiracy against us, the object of which was to prevent us from putting an end to the paper money *régime* to which the civil war had subjected us.

I do not say that anyone was conscious of being such a conspirator; I merely say that if anyone had desired to prevent the restoration of specie payments among a nation which had enormous debts and an inexportable and depreciated money, he who should prevent silver from remaining an international money, he who should bring it about that the money basis of the world should be contracted, would have made a great step towards his aim.

The blanket (to recur to the figure used by the great German statesman) would have been made narrower artificially, and there would have been no place under it for the United States. Convinced myself, five years ago, that the United States would, in any case, have the power to procure all the gold for which it

would have need, I was persuaded that to contract by force, and by a considerable quantity, the money basis of the world's business was a dangerous, perhaps even a disastrous course.

To conclude: our paper money, as you know, is not yet retired; our country, like the rest of the world, has suffered much; we have more than two milliards [£80,000,000] of gold, notwithstanding the non-retirement of the paper money; and we are in a much stronger position than that which we occupied in 1876, when the discussion of the silver question began, and also stronger than that which we occupied at the date of the Conference convoked by the United States alone. But we are still here as the representatives of a government which invites the Western World to form a monetary union, in spite of the fact that this monetary union imposes upon us the condition of replacing a part of our gold stock with silver dollars coined out of melted European coin.

We are very selfish in making this invitation. We still think that it is not desirable that the money basis of the world's business should be artificially contracted, that the normal enlargement of this basis should be artificially prevented; and we think that the lack of a *modus vivendi* between gold and silver, concerning which so many able addresses have already been made before you, is injurious to commerce and to the international investment, and hence to the world's prosperity. We do not wish to suffer ourselves through contraction and through the absence of a stable par between gold and silver; but we still think that other countries have an interest in this monetary union at least equal to ours: indeed, we have a certain confidence that, in any case, we shall not suffer as much as the rest of the world.

It is our interest that other countries should be put in condition to do as we are doing, to put an end to the *régime* of paper, which is an unstable, inexportable money; and it is our interest that each specie-paying country here represented should procure, as the basis of its business, what it has not now, an international money, money of silver and gold, the most stable money of which history furnishes us an example. We believe that, if it could be done without too great a contraction of the money basis of the world, without provoking serious disturbances in the economic world, the restoration of specie payments in Italy, in Austria-Hungary, in Russia, or the maintenance of

their paper money at par, would be a benefit for all countries which have relations with these powers; and we believe that the formation of a Bi-metallic Union will advance the possibility of such progress.

In a word, it is our interest that the whole world should be prosperous.

You see that a common-place kind of political economy is thus become the creed of a nation.

You see also that we have attained the *ne plus ultra* of selfishness. Our selfishness has continental dimensions; it extends from China to Russia, by the way of San Francisco and New York. In the words of the psalmist: Its line is gone out through all the earth; it is like the sun: its circuit is unto the ends of the heaven; and there is nothing hid from the heat thereof. For myself, I avow to you I am so selfish that when I think of what the formation of a Bi-metallic Union may do for the progress of civilization, I am really pained at hearing discredit thrown upon the interest, the right to be heard in this matter, of paper-money countries like Italy and Austria.

But I can cite to you other instances of American selfishness. In 1776, for the colonists rebelling against the tyranny of George III., nothing was more important than to have it known why they rebelled; so, likewise, Lincoln's proclamation freeing the slaves, in 1862, was expedient as a means of giving new strength to the nation in its conflict with the rebels.

Here, therefore, you have before you two measures plainly of a nature to serve private selfish American interests, the Declaration of Independence and the Abolition of Slavery. Well, the Bi-metallic Union belongs to the same family.

Do you suppose that the declaration of Jefferson and the proclamation of Lincoln would have been crowned with the same success had they meant nothing for humanity? No, you do not believe that; and it is in the fact which you thus recognize that you have a guarantee that the United States will not remain content without continuing their efforts to realize this union. As I have said to you, we are in a position to wait. Three years ago we offered monetary peace to the Great Powers of the world; so at least, as one of the envoys who crossed the Atlantic to bring you our proposition, I myself interpreted it. The Great Powers preferred war; and they have had war. It is in the thoughtful and earnest utterances of M. Denormandie, in Sir

Louis Mallet's noble address, in the magnanimous declaration of the German Empire, that we can recognize the melancholy truth.

For the United States, Christendom to-day, in this matter of the conflict of monetary systems, is, so to speak, in a leonine partnership (*société léonine*), in which destiny has assigned to them the part of lions. If ever a people had the right to use that bitter irony, it is we, who can say *Beati possidentes*, blessed are they that possess. Spoiled children of Providence, owners of a continent replete with wealth, inheritors of civil order, of liberty, of peace, if we desired to indulge ourselves in a selfishness that should be narrow and blind, we have now the opportunity. But we do not say those cruel words. If I must seek a formula, similar in form to that which we thus renounce, you will pardon me if I claim the right rather to say, as I had once occasion to say three years ago, *Benedictus qui venit in nomine veritatis*. Blessed is he that cometh in the name of truth.

M. Cernuschi (Delegate of France): M. Pirmez says that the other bi-metallists are less logical than I am; but in what are they so? Mr. Howe said that Europe and the American States ought to fix definitely the legal international proportion between gold and silver. Sir Louis Mallet said that we ought to adopt the proportion of 15½; and this proportion, until now adopted by all bi-metallists, is even approved by mono-metallists, such as M. Broch and the economists of London. M. Rusconi has truly said we are only wandering at hazard when we have not agreed on the very principle of money. It is impossible to repeat too often that money is not a commodity. It has been intended expressly to serve as the intermediary between all commodities; in the same way the broker serves as an intermediary between merchants, but he is not a merchant himself. If the monetary metal had continued to be a commodity, we should still be without money. The monetary metal cannot be valued any more than the meter can be measured. The objection is made, it is true, that it can change in value as a meter of all metal can change in dimension. But this is an internal variation, so to say, against which we guard as far as possible by taking for money the two metals of which the masses are the most unalterable—silver and gold—and by combining them together by a bi-metallic law, just as in order to have a good pendulum we employ several metals whose variations in volume

compensate one another. But I must repeat it, money is not sold or bought any more than the meter is measured. If it were otherwise—if money were purchasable and vendable—there would not be such a thing as money: we should have barter.

No producer or possessor of silver had ever in any country up to 1874 delivered a kilogram of silver at $\frac{9}{10}$ths of fineness for less than 200 francs, nor a kilogram of gold for less than 3,100 francs. It was the proportion which France had created—had published—a universal right, by coining for everyone who came any quantity of one or of the other metal at 15½. It is true that the English, under a gold mono-metallism, had from time to time had need of silver for Asia, and that they came to France to seek it by means of a premium above the par of 15½, or else that, having received bars of silver in London, and having no immediate need of them, they exported them to Paris to barter them against gold by means of a premium above the 15½ paid in an inverse sense on French gold; but these facts do not authorize us to say that one metal was cheaper and one metal dearer. These facts prove that English mono-metallic legislation was inferior to French bi-metallic legislation. If England had been herself bi-metallic, she would not have had to pay a premium above the French rate, sometimes on silver, sometimes on gold. If England will adopt international bi-metallism, these ridiculous expressions of "cheaper" and "dearer" with regard to the monetary metal will no longer appear either in books or in newspapers.

M. Pirmez quotes, in support of his assertion that bi-metallism is impossible to establish in the future, and that in the past the fixed ratio of 1 to 15½ has never been able to be maintained, the example of Holland, Portugal, and the United States; but what is the worth of such an argument? What does it matter that Portugal has groped about; that the Americans have passed from the ratio of 15 to that of 16; that Holland has been deceived when adopting, in 1816, the proportion 15·875, too favourable for gold in relation to the French rate of 15½, which made it a mono-metallic gold country until the legislator in 1847 demonetized this metal? What does all this matter if everywhere and always the French proportion, the rate of 15½, has governed throughout the entire world the relative value of the two metals? No other legislation could survive or could prevail.

Two different proportions could not co-exist on the globe. It is not possible that the two metals should circulate at the same time, here at 15½; there at 15 or at 16. The United States know it well; their 15 made their gold emigrate towards Europe; and their 16, in the same way, made their silver emigrate. There is in this a historical and undeniable proof that the 15½ has never been affected; that up to 1874 there was an identity of value everywhere between one kilogram of gold and 15½ kilograms of silver. Ask the Indian Treasury. It will tell you that there was a constant par of exchange at 15½ between the silver rupee and the pound sterling in gold. The work of the Conference of 1878 only perpetuated monetary anarchy, and this anarchy has caused the evil from which we suffer now, which each one complains of, and which everyone desires to remedy. M. Pirmez and the mono-metallists threaten Europe with terrible evils, with redoubtable crises, if she lends her ear to the counsels of the bi-metallists; but is it the bi-metallists then who pretend to make a monetary revolution? It would seem, to listen to their adversaries, that they pretend to introduce the metal silver by the side of the metal gold; while, in reality, it is, on the contrary, the gold mono-metallists who have tried to expel silver, and have not been able, or are afraid to do so. M. Pirmez has drawn another argument from the fact that Hungary realizes in gold its last loan, and he concludes from it the superiority of gold over silver. This is strange reasoning. If we borrow gold, it is because the gold mono-metallists have succeeded by modifying legislation in depriving silver of its ancient monetary value. The mono-metallists proscribe silver as an international metal; then, when it is necessary to perform international operations with the only metal which we can get coined in Europe and the United States at present, they come and tell us that the metal silver is no good; they do the evil themselves and then accuse their victim of doing it.

It is to be wished that M. Pirmez would examine again the question of the commercial balance. He denies it and denies its effects; but this balance is, nevertheless, a real fact. It is less the statistics of commodities which enter or issue which ought to be consulted to understand it, than the state of the real exports or imports of the monetary metal. The steamers have transported in less than a year many hundreds of millions of gold from Europe to New York. Can the balance of commerce be denied?

But does not almost the principal work of metallic money exactly consist in paying international balances? Primitive people with no money, condemned to barter, do not pay commercial balances, it is true; they ignore monetary crises as they ignore accidents on railways, and explosions of steam-engines. Could we return to this rudimentary state where products are exchanged for products without any monetary intermediary, and consequently, without the possibility of a commercial balance to receive or to pay? For the rest, paper money and national money would suffice, for purchase, for sale, and for loans between those of the same nation; but metallic money is an international necessity. M. Pirmez does not deny the difficulty of the countries which are called countries with a halting bi-metallism, because coined silver although it has like gold an unlimited legal-tender power is not there freely coinable like gold. He is aware that we must come to their aid; but he rejects the only remedy which can really profit them; that is, bi-metallism which is not halting, and in its place he proposes nothing, for we cannot give this name to the suggestion which he makes to reduce the nominal value of silver coins. We might as well reduce the size of notes in a paper money country, or declare, for example, that notes of a hundred roubles shall not be worth more than 60 roubles in future. As regards the states with paper money it is idle to distinguish between their monetary policy and their financial policy; the two are one; and without international bi-metallism the resumption of specie payments is almost impossible in Italy, in Austria, or in Russia. We can only ask the Belgian Delegate to be good enough between now and the next meeting to present in writing precise proposals on the measures to be taken to stop the present monetary disease, and we must ask him to fix his attention on the fact that the chiefs of the great European Banks, the Governors of the Bank of England, of the Bank of France, of the Bank of Germany, of the Netherlands Bank, and of the Bank of Italy, are all, without exception, favourable to bi-metallism.

It is certainly not France which is the most threatened. Her pieces of 5 francs are, at present, inexportable; they cannot be placed in the crucible without an enormous loss; they are, to speak the truth, only a kind of paper-money without international employment. This is an evil—a great evil; but, in fact, up to now France has not suffered from it: the pieces of 5 francs

are on a par with gold francs, and indirectly with gold pounds sterling. The French Budget does not admit any loss from the effect of the monetary disaster, while the Indian Budget for the last six years shows an annual loss from 20 to 30 millions of rupees,* a loss entirely due to the vanishing of French bi-metallism. The French merchants have not with Asia the enormous commerce which the English have. They have not to undergo losses and risks from a debased and always uncertain exchange. No petition has been addressed to the French Chambers asking them to try to re-establish the value of the rupee and of the taël. A good harvest would be sufficient to cause the exportation of gold by Calais or by Hâvre to cease. France could wait. If she is agitated, if she is working, in concert with the United States, for the monetary rehabilitation of silver, it is in the interests of the world. She will find there certainly her own advantage, but this advantage will not turn to the disadvantage of any other nation; and the profits of other nations will not turn to her harm.

Mr. Evarts (First Delegate of the United States) said: The first disturbance in what was a satisfactory condition in the working of the money market of the world grew out of the debates, and came as a sequel of a Conference that really had no function or duty in the matter which we now discuss. The Conference of 1867, meeting for and undertaking to treat that important consideration of convenience and utility, the unification of the coins used in the computations and the transactions of the world, naturally, under a scientific, a mathematical, a symmetrical consideration of the subject, felt that if there were but one metal money in the world, it would be easier to have a universal system of coinage. Bent, with the zeal of their work, upon accomplishing that secondary result, and finding that the reduplicated impediments grew out both of the use of the two metals, and of the great diversity of coinage in the two, they thought that the way to get at a unity of coinage was to have but one metal in the service of the world for its money. This was a clear subordination of the end to the means; this was a sacrifice of money that could not be spared in its volume and in its force, in order that the symmetry of the mintage might be more conveniently attained. This was in the nature of a

* Really £2,440,000. *See* Mr. Chapman's Memo., page 136.—A. C. T.

sacrifice of the great and manifold transactions of an open commerce to the convenience and the simplicity of the book-keeping which records it.

Unluckily this scientific appreciation fell upon two great countries under circumstances which hid, perhaps, from their eyes the mischiefs, and made of less consideration the responsibilities of an effort towards the demonetization of silver. Germany, interested in its own unification—the great political transaction of our age—found political reasons why the unity of money in Germany was of great importance to the unity of society and of the State. Then this unhappy idea that, as the diversity was most in the silver, and the habits, antagonisms, and preferences of the people were most involved with the silver, if you would unify the money by having only the gold, the empire with its golden currency would easily master the suppression of the diversities of the inferior coinage. In the United States these ideas of the Conference of 1867 reached us when we were using neither silver nor gold, and when the public mind was inattentive to the consideration of so intimate, so comprehensive, so universal an influence upon all the interests of a state as a change in their money might exert. In the presence, then, of the fact that neither silver nor gold was the practical and present money in which we, to the common apprehension, had to accommodate our relations to the other nations of the world, the movement took place, by the Act of 1873—a coinage Act as I understand it to have been—which, under this unlucky incident of regulating coin, has seemed to suppress one-half the intrinsic money of the State.

In 1878, the United States, looking back upon their grave experience in relation to disordered money, looking forward to the great restoration of the firm footing of money on a metallic basis, which they had planned by legislation, and to which they were shaping their financial energies; and seeing that the question whether our currency at home could be made stable and safe in its relation to intrinsic money, and whether we could, in the anticipated renovation of our commerce, for which we were preparing, hold that share of the intrinsic money of the world that was necessary for our transactions, of domestic traffic and foreign commerce—in this situation, I say, the United States came to the conclusion that, as there never had been a time in history when both silver and gold had not been necessary and

been used as money, as there never had been a time in history when their united strength was more than adequate for the unfolding progress of society, so, above all things, at this age and in the actual circumstances of the world was this true. In the immense development of representative or secondary money, in the immense expansion and the international relations of commerce, and in the multiplication of the daily uses of money brought about by rapid transportation and telegraphic communication, the attempt at a permanent basis for our domestic circulation and for our participation in the commerce of the world upon less than the broad basis, the united strength, firmness, and fixity of the two metals seemed a vain hope.

This led to our legislation of 1878. You will readily understand that in face of the movement in Germany, in face of the disorder apparent in the Latin Union system, in face of the discrepancy between the Indian circulation and the home circulation of England; it was not for the United States, however firm their faith, however assured their principles, to throw open their mint, as the only one in the system of Western nations, to the free coining of silver. We undertook then its limited coinage, we gave the coined dollars full legal-tender faculty, but the mutation of the metal into coins was reserved to the Government. This method did not accredit silver as entitled to be turned by its owners into money by the stamp of our mint, but allowed only an acquisition of the bullion, and the conversion into coin by the Government on its own account. It is not necessary for me to allude to the diversity of political or economic opinions which led to the Bill taking the precise form it did. That it did not overlook, that it was made in full appreciation of an international situation is proclaimed by that clause in the Bill which provided for the calling by our country of a Conference of nations on their monetary system. The problem that was too much for any one nation—the problem of a fixity of ratio between silver and gold, which should make one money out of the two metals for all the world, was to be made the subject of joint consideration by the nations most interested in that problem. The nations took at least no offence at this invitation, and the politeness of the French Government gave us all the hospitality for that Conference that they could have accorded to it had it been called by France. But, what was that Conference in its attitude either of hope or fear? What conclusion, what result

flowed from it? Germany was not represented at all. England was present in the body, but absent in the spirit. France and its group of nations occupied only an expectant attitude. The United States found, to their appreciations, to the arguments by which they supported them, to their warnings, to their fears, to their hopes, no response that, by way of action or by way of assurance of action, they could carry home as a result. But we did obtain from the Conference this conclusion, this concurrent sentiment—that, if nothing could be done or promised in the direction which we desired the movement to take, nothing could be tolerated in the opposite direction; that the united nations entertained a hope that natural causes would bring a reaction to set things right, and that their best wishes for so desirable an end would accompany any efforts that the United States or any other Power might make to relieve the situation from its admitted difficulties and dangers.

The United States Government was not disturbed in its convictions nor swerved in its conduct by the imperfect treatment which the subject received from that Conference. It has gone on with its coinage, resumed specie payments, has had an unbroken progress in prosperity, in wealth, and in its greater and greater mastery of the money question. It is disturbed by no new troubles at home, but it has waited until the mischiefs of disordered money should make themselves more apparent to the appreciation, or at least to the responsibility, of the European nations; and, now, how different an aspect from that of the former Conference does this assemblage which I have the honour of addressing, present to-day to the nations of the world. Germany is represented. Germany exhibits an appreciation of the disastrous outlook, and its desire that the money of the world should be put upon a better footing. Germany gives good wishes and sympathy towards the success of any such movement. But Germany, besides, proposes to take, by such means as are within its competency in deference to its domestic affairs, some share of the burden, to bring some force towards the energy which is to furnish relief, some contribution towards the result aimed at. I gather that when a great power, like Germany, sees an object to be desirable, commits to it its good wishes, gives its sympathy, and promises its contributory aid, it is committed to the success, or the failure, that may attend the movement. It is not for a great power to desire, to applaud, to

approve, to give help to a movement among the nations, and then to have it fail. It is not for a great power in a common object, a common benefit, to be satisfied to contribute inadequate, inappropriate, or unseasonable means. Great Britain, for India and for Canada, presents most effective concurrence and most important aid in the propositions and in the movement which we have at heart. For itself, in words not of mere courtesy, but of substance and sincerity, Great Britain says by its own delegate, that it will lend an interested ear, give a responsible attention, to whatever this Conference shall propose. France, no longer expectant, is in full accord with the United States in the promotion of the Conference, in the matters, in the purposes, in the principles, in the *sine quâ non* upon which success depends. All the other nations are represented by able advocates and experienced men of affairs, who take an active part in the deliberations on the mischiefs, in an estimate of the methods of their cure, and show in all things a purpose to conciliate and not to aggravate differences of opinion or policy, and to reduce the opportunities of discord.

When the United States, too, presented itself at the last Conference, the aspect in which its participation seemed most to strike men was, that it was in promotion of interests that might be natural and honest, but were limited and special—I mean its production of silver, and considerations connected with its public debt. The magnitude of this debt, the necessity of its payment by what was the money of the bond, that is, by the silver or the gold money of the United States of ascertained weight and fineness, raised the suggestion that the performance of that obligation was expected to be assisted by remonetizing silver, by placing what was called the inferior metal, the cheaper metal, at the service of the Government in the maintenance of the public faith.*

Well, the representatives of the United States at the former Conference met and answered those suggestions, and the course of things in the United States since has dispersed all imaginations, even of their special or sinister objects in the matter, into thin air. The question now put to us is—as is obvious everywhere in the progress of this Conference—the question now put to us is, "Why is it that in your wealth, your strength, your manifold and flexible energies and opportunities in the conflicts and competitions of the system of nations represented here, why is

* *See* note to p. 287.—A. C. T.

it that you feel concern for mischiefs which carry no special suffering or menace to you, or anxiety as to the methods of their cure when you are so free-handed as to the methods and resorts at your choice? Why should these evils that have grown out of a short-sighted and uncircumspect policy, as you (the United States) think, why should you so persistently call upon all the nations to unite, and put yourselves, as it were, on the same footing of danger and solicitude with them?" The answer on our part is simple and honest. It needs no ingenuity to frame it, and it asks no special courtesy or confidence on your part to believe it. It is our interest in the commerce of the world, and we consider no question of the money of the world alien from that interest. Why should we not feel an interest. and an urgent interest, in the commerce of the world? We are seated on a Continent, so to speak, of our own, as distinguished from Asia and Europe. We are nearer to Europe and to Asia than either is to the other, and if there is to be a great battle between Eastern and Western commerce, and a public and solemn war declared between the silver of the East and the gold of the West, who so likely to make the profit of the interchange between those moneys, and necessarily, therefore, of the interchange between the commodities that those moneys master?

But there is another striking position of our country, not geographical. It is that we more than all nations, perhaps first of all nations, in the history of the development of commerce, that our nation holds, in either hand, the great products of staples, of raw material, and the great, the manifold, the varied products of skilled industry, which we have developed and organized, and in which we contest with Europe the markets of the world. We propose to furnish the products of our agriculture, which feed in so great share the labourers of Europe, and the machinery of Europe, as inexorable in its demands as the labourers, and we propose also to deal with the world at large in the skilled products of industry in every form applied to those raw materials, and prosecuted under the advantages of their home production. We contemplate no possibility of taking place with the less civilized or poorer nations, to sit at the feet of the more civilized and richer nations. We have no desire to place ourselves, on the side of skilled industry, in the position of a superior nation to inferiors, though they may depend on us

for this supply. We occupy, quite as much as in our geographical position, in this aspect towards the different forms of wealth, production, and industry, an entirely catholic and free position, having no interest but the great interest that all nations, as far as money is concerned, should not be embarrassed in trading with us, and that we, so far as money is concerned, should not be obstructed in selling our raw products to the skilled nations of Europe, or the products of our industry to the consumers in less-developed nations. Besides this equilibrium of selfishness, which makes the general good our good, we are free from any bias in the matter of the production of the precious metals, trivial as that is in comparison with the immense and fervid march of commerce. We produce the two metals equally. Out of the same prolific silver mines even, the same ore gives us 55 per cent. of silver and 45 of gold.* How could you imagine a nation in regard to its production of the precious metals more indifferent as to which is made the master of the world? It is a bad tyranny that we resist. It is the possession of freedom and of power in the commerce of the world by the service of both these metals, in place of the mastery of either, that we advocate.

What then are the functions and service of money, not in the abstract, but in reference to the actual development of the industries and commerce of the world? What in the present and what in the near future are the conditions under which this office and service of money are to be performed? What are the impediments that exist either in the natural properties of the metals or in the habits, the associations, the repugnances, the preferences of mankind? What in its history, what in its institutions, are the embarrassments in regard to what as an abstract idea everyone must applaud and everyone must maintain to be a desideratum, a fixity of the unit of money all over the world? What, in a word, has already been done in the progress of affairs towards this desideratum? What remains to be done? What is there within the resources of courage and wisdom in the voluntary action of the nations? What is it competent, within the courage and wisdom of this Conference, for it to propose that shall accomplish, or shall promise, or shall tend to accomplish this great result of placing the money of the world

* This seems to me an all-sufficient answer to the insinuations of M. Pirmez (*see* pp. 74 and 274), and to the unfounded assertions of Mr. Goldwin Smith (*see* p. 287).—A.C.T.

abreast with its burdens and responsibilities and untrammelled in the discharge of them?

It is hardly necessary to recapitulate the principal duties of money, but they have always been of a nature that presented itself in a double aspect. From the time that money needed to be used in any considerable volume, and for any considerable debts among the advancing nations of the world, there never has been a time in which the money for man's use did not present itself in reference to its service and duties in two aspects. One is to deal with the petty transactions of every day and neighbourhood use, where the smallness of transactions required money susceptible of easy division. The other for a transfer in larger transactions required money to be used in the mass, and with a collective force, money that was capable of easy multiplication, and of easy management in aggregate values. But besides that, there soon came to be a use of money between the distant parts of one country and between distant countries, and so, an opportunity for disparity in the treatment of money in these opposing aspects, with no longer a common sovereignty that could adjust them one to the other. In the progress, so rapid, so vast, so wide, of the interchange of the products and industries of the world, there came to intrude itself, more and more necessarily and familiarly, the elements of distance in space and remoteness of dates of beginning and closing transactions. These developments of commerce alone embarrassed both of these moneys in the discharge of their double duty, were there no exposure to discord between themselves. But long ago this ceased to be the limit of the trouble. The actual service of intrinsic money in the transaction of the petty traffic and the great commerce of the world, in providing for its own transfer from place to place, within a nation, or from country to country, across the boundaries or across the seas, made it impossible for the volume of both the metals that the bounty of nature could yield to the urgent labour of man, to perform the task. Every form and device of secondary money, of representative money, which the wit of man could compass, and which could maintain its verity as money by its relation to the intrinsic money of the world, was brought in to relieve the precious metals from the burden under which unaided, they must have succumbed. All these forms, whether of bills of exchange to run between country and country, or of notes or cheques at home, or of paper money,—all are but forms of *credit*. While, then, they relieve intrinsic

money from the intolerable burden of actually carrying the transactions of the world, they burdened it, so to speak, with moral obligations which it must discharge. All this vast expanse of credit in the developed commerce of the world, rests finally upon the intrinsic money of the world, and if you would have fixity, unity, and permanence in the credit operations of the world, there must be fixity, unity, and permanence in all the intrinsic money of the world upon which that credit rests. This credit is, almost without a figure, a vast globe, and this service of the precious metals to sustain it is that of an Atlas, upon whom the whole fabric rests. The strength of both arms, nerved by a united impulse of heart and will, is indispensable; neither can be spared. Consequently, if there should be any considerable failure in their force, or any waste of it by antagonism between the metals making up the intrinsic money of the world, the credit of the world is deprived of what nature in supplying the two precious metals, and human wisdom in regulating them, together, are competent to supply for its maintenance.

In the deliberations of the former Conference and the agitation of the subject since, in the several countries now engaged to concert anew some method for relieving the existing difficulties, all these general traits of the subject I have named, all these burdens, and all these essential ideas seem, in the abstract, to be commonly accepted by the world. Nature has given and still supplies us with adequate material for our money as its share in the proposed transaction; reason has been developed, the power of government in the nations convened, has been brought to its highest force, not of caprice or dominion, but of the expression of the will and of the wisdom of the people themselves. With these resources for its correction, our first duty is to look at the nature of the evil and its extent. A very interesting and very clear-sighted examination of the subject, in this light, has been presented to us by the honourable delegate from Belgium, M. Pirmez.* He naturally and wisely has thought that, as preliminary to the provision of means for correcting the mischief, we ought to be sure that the mischief exists. The view presented with so much interest and force by M. Pirmez, was to bring this into doubt, and bid us to consider whether we are not really under some serious misapprehension respecting the gravity of the situation. A story

* *See* pp. 70 and 274, M. Pirmez's addresses.—A.C.T.

is told of one of my countrymen that, alarmed at home by failing eyesight, and frightened into a dread of blindness, unwilling, even, to admit to his family or friends the possibility of such a calamity overtaking him, he took passage for Europe, to be able to consult the famous oculists on this side of the water, on his disastrous condition, without revealing it at home. The oculist relieved his fears at the expense of his intelligence. He assured him that so far from cerebral or nervous disease causing his difficulty, and threatening him with greater calamity, all that ailed him was that he had reached a time of life when the sight needed to be reinforced by spectacles! Now, we delegates of the United States, it would seem, have come across to this Conference to learn, that all our anxieties will be dispelled by the simple remedy of putting on M. Pirmez's spectacles. That, seen through them, all the disorders which had excited our solicitude will disappear.

But, after all, M. Pirmez is scarcely willing to treat the anxieties and fears of the nations as wholly chimerical. His division of the countries into three groups, whose distinctions he describes, at least admits a difference in the degrees of satisfaction and safety in which they may safely rest.* M. Pirmez thinks that his first group, that is, the gold nations, are in all respects safe, secure, contented; that they see no reason to change, and give no prospect that they will change. But, then, this group of gold nations really ends with the Scandinavian States, Sweden, Norway, and Denmark, and with Portugal. Their repose and serenity, it is said, is due to their shelter under the protection of the gold theory. It seems to me, rather, that these fortunate nations enjoy the happy position which Homer's famous simile has made known to mankind, of those who from a high promontory watch the naval engagement below in its dangers of battle and of shipwreck, secure against either. It seems to me that when he comes to apply his proposition of the gold basis being safety, it limits itself to those nations who, happily for themselves, are not largely involved in the strifes or vicissitudes which attend the vast transactions in which the capital industries and commerce of the great nations are involved. No doubt their health, their repose, their serenity are just subjects of satisfaction to themselves, and of envy to their troubled neighbours. Nevertheless, their experience does not go far to solve the question whether resort to the gold standard

* *See* p. 66, M. Pirmez's first address.—A.C.T.

will help those who need help. "They that are whole need not a physician, but they that are sick." When we turn from this ease and serenity to the discomforts and dangers that affect countries like England, the great gold nation, and Germany, the recent convert, it is admitted that there is disturbance, that there is anxiety, that there is dislocation, that there is need, and that there is hope of an improvement in their money system.

Another of M. Pirmez's groups is that of the paper-money countries, which include two of the Latin Union States, Italy and Greece. These too, are as much in repose and have as few solicitudes, M. Pirmez thinks, as the Scandinavian countries, but for the opposite reason. For, if the first group, the Scandinavian, are in health, the second group, the paper-money states, are in collapse. We have, then, nothing left but the great nations still holding specie payments, and struggling to master the problems both of money and of commerce which, he says, are affected more or less, but not so much as they suppose. His explanation of our being disturbed and solicitous is that France, the Latin Union, Germany, England, and the United States—for I suppose we fall within this group—is that we have still in our system the virus and the infection of the double standard. It is the legacy which we have inherited from that standard that mars the peaceful simplicity and harmony of action in our monetary affairs, the want of which makes us dissatisfied. This being so, M. Pirmez triumphantly exclaims, "If you are suffering from too much silver, what a strange proposition it is that you make to improve your condition by increasing the amount of it." But our proposition, even if we accept his statement of the mischief now played by silver, if applied to the facts of the situation as he construes it, would be: "We are suffering—the world is suffering—from *discrediting demonetized* silver, and the remedy that we propose is to accredit the discredited, and rehabilitate the demonetized money." The tables cannot thus be turned upon us. No man can charge upon the bi-metallists the responsibility of wanting more discredited or more demonetized precious metal in the world.

We must, then, proceed with our deliberations to find a remedy for acknowledged evils and evil tendencies. Even M. Pirmez's cheerful estimate of the situation scarcely satisfied him that there might not and should not be some improvement in the condition of things. I am sure it did not satisfy this Conference, nor will it the nations whom we represent, that

our service and our deliberations are superseded by the disappearance, under our debate, of the mischiefs in the monetary condition which we were called together to meet and correct. I need hardly argue that, if the nations here represented, fifteen states in all, if their delegates recognize the fact that there are evils now present, that there are greater evils threatened, then it becomes us to undertake to advise these governments—and it becomes these governments to take such action as their wisdom and responsibility suggest—to correct these mischiefs and reduce the disorder in the money system of the world by such means as they shall approve as most suitable, most promising, for the desired result. Now, there are but two logical methods in which this disorder between gold and silver, this depreciation of their general and combined functions, this struggle between them can be put an end to. One is to admit as the intrinsic money of the world only one metallic basis, and to drive out, extirpate, as a barbarism, as an anachronism, as a robber and a fraud, the other metal, that, grown old in the service and feeble in its strength, is no more a help but a hindrance and a marplot. That is a task that might be proposed to the voluntary action of nations, and if the mono-metallic proposition be the true one, that is the logical course to which the nations we represent ought to resort, unless they take the only other logical alternative, that is, to make *one money out of the two metals*, to have no two standards or kinds of money, but one money, adapted in its multiples and divisions to the united functions of the two precious metals.

I have said that these two are the only logical methods. There is another method, and that is, in despair of making one money out of the two metals, to make two moneys out of them. This project is, not to discard either from the service of mankind, but to separate them, and so mark them as they shall not occupy the same regions, but divide the world between them. For the working of this scheme, it is proposed that, in some fashion, a partition shall be made among nations or sets of nations, and a struggle for the metals be set on foot, to reach an equilibrium or alternating triumph, or undergo such fluctuations or vicissitudes, or enjoy such a degree of permanence, as fortune, out of the chaos, may offer to mankind. This scheme might well be defined as harmonious discord and organized disorder. But this is nothing but a conclusion that although there is an intolerable evil, it is not within the compass of human wisdom

or human strength or human courage to attempt a remedy. This conclusion would leave things to take care of themselves. This notion found expression in the sentiments declared, by some of the Powers, at the Conference of 1878. The hopeful expectation that was then indulged, that things would take care of themselves, has not been realized. Experience since has shown an aggravation of the mischief, a continued and widening extension of its pressure, and produced another appeal to the wisdom and courage of the nations to redress it, under which this Conference has been convened.

But there is, confessedly, a great difficulty in arranging this partition of money among the nations. I will not enlarge upon that difficulty; it has already been sufficiently pointed out. It is inherent and ineradicable. Its terms cannot be expressed by its champions; sometimes it is spoken of as a division between the Asiatic and the European nations; sometimes as a division between the rich nations and the poor nations; sometimes as a division between the civilized and the less civilized nations. There seems to have been an easy confidence that these groups could be satisfactorily arranged for a reasonable equality in this battle of the precious metals. But I have been puzzled to know, and no one has distinctly stated, where the United States were to be arrayed. No one has ventured to determine whether they were to be counted as a rich nation or as a poor nation; whether as an Asiatic or a European nation; whether as a civilized nation or an uncivilized nation. Yet I think it would be no vain assumption on the part of the United States to feel that any settlement of the money questions of the world that leaves us out and our interest in them, and our wisdom about them, will not be the decree of an Œcumenical Council, or establish articles of faith that can be enforced against the whole world. The notion seems to be that the nations that sit above the salt are to be served with gold, and those that sit below the salt are to be served with silver. But who is to keep us in our seats? Who is to guard against an interruption of the feast by a struggle on the part of those who sit below the salt to be served with gold, or of those above the salt to be served with silver? This project purports to have neither wisdom nor courage, neither reason nor force behind it. It is a mere fashion of speech for saying that we cannot by human will, by the power or the polity of nations, redress the mischief, but that we must

leave the question to work itself out in discord, in dishonour, in disorder, in disaster.

This brings us fairly to consider how great the task is which is proposed for reason and for law to accomplish. How much is there wanting in the properties of these two metals, how much is missing from the already existing state of feeling, of habit, of the wishes and the wisdom of the world at large, and in the common sense of mankind, as exhibited in history or shown to-day, that stands in the way of the common use of the two precious metals to provide the common necessity of one money, for the commerce of the world?

The quarrel with nature seems to be with its perverse division of the necessary functions of money between the two precious metals. In their regret that nature has furnished us silver and gold, with the excellent properties of each, instead of one abundant, yet not redundant, metal that would have served all purposes, the mono-metallists strive to correct this perversity of nature, by using only the not abundant gold and discarding the not redundant silver. Well, I do not know but one might imagine a metal, a single metal, that would combine all the advantages which these two metals, in concert, have hitherto offered to mankind. It may be within the range of imagination to conceive of a metal that would grow small in bulk when you wanted it to aggregate values, and grow large when you wanted to divide it into minute values. Yet, as I think, the mere statement, to the common apprehension of mankind, describes what we should call a perpetual miracle, and not an order of nature. Now, if such a metal is a mere figment of the imagination, if no such metal with these incompatible qualities is found *in rerum natura*, how are we going to dispense in our actual money with that fundamental, inexorable requirement of intrinsic money, a physical capability of multiplication and of division to serve these opposite uses? Why not, then, accept the reason, accept the duty, of treating these two metals, in which, combined, nature has done the utmost for this special need of man, by supplying, by the *consensus* of positive law, that single *nexus* between them, that fixity of ratio, by which they two shall be one money at all times and everywhere; by which silver, when its multiplication becomes burdensome and unmanageable, loses itself in the greater value of gold, and gold when its division becomes too minute and too trivial, breaks into pieces of silver.

What nature, then, by every possible concurrence of utility, has joined together, let no man put asunder. It is a foolish speculation whether, *in rerum natura,* a metal might have been contrived combining these two opposing qualities. Let us accept the pious philosophy of the French bishop, as to the great gift of the strawberry,—" Doubtless God Almighty might have made a better fruit than the strawberry, but doubtless he has not."

This brings us to the essential idea which lies at the bottom of this effort at unity of money for the nations, the capacity of law to deal with the simple task of establishing a fixed ratio between the metals, so that their multiplication and division should make but a single scale.* This, M. Pirmez would have us understand, would prove an ineffectual struggle of positive law against the law of nature. It is thus he denounces the attempt at a practical *nexus* between these metals by reason, which could not be supplied by the physical properties of matter. To me, it seems to require no more than law and reason and the wit of man can readily supply, and have constantly supplied, in innumerable instances, and it should not be wanting here. The reason of man must either, in this instance, take the full bounties of nature and providence, or must reject them, as the gross and ignorant neglect all the other faculties that are accorded to human effort and to human progress by the beneficence of God. Bring this matter to the narrowest limits. Here is a gap to be filled. Shall we supply it? Will you insist upon what is called one standard, and have two moneys; or will you insist upon two standards, with the result of one money? But one money is the object. All question of standards, one or two, is but a form and mode by which we may reach what we desire—one money. I insist, and challenge a refutation, that at bottom the theory of a gold standard is the theory of two moneys. It is the theory of discord between the metals. It is the theory of using one to buy the other, and robbing the exchange of commodities of what it requires, to the utmost, the double strength, the double service of the two metals to buy and sell, not one another, but the commodities of the world.

But it is said that this pretence that law can regulate the metals in their uses as money, involves a fundamental error in

* On this subject, *see* Note to pp. 75-77, where the chief authorities are quoted.—A. C. T.

this, that money is itself a commodity, and that law cannot regulate the ratio of the two metals as money any more than apportion values between other commodities. Well, silver and gold as they come from the mine, no doubt, are commodities. There might be imagined a metal that, besides having all the qualities which make it useful to men for money, might also miss all the qualities that would make it useful for anything else. You might have a metal suitable in all the physical properties of gold and of silver, that was neither splendid for ornament, nor malleable, nor ductile for use; you might have a gold that did not glitter to the eyes, and a silver that would not serve to the use. In such case the confusion between gold and silver *money*, and gold and silver in their marketable uses, would be avoided. But, as a matter of fact, besides the good qualities which benign nature has infused into these metals for our service as money, they have, as well, the properties which make them valuable in vulgar use. These latter uses, no doubt, in the infancy of mankind, directed attention to the recondite properties which fitted them for the institution of money, which later ages were fully to understand.

Although, then, the precious metals, in their qualities as metals, may remain commodities, whenever the act of the law, finding in their properties the necessary aptitudes, decrees their consecration to the public service as money, it decrees that they shall never after, in that quality of money, be commodities.* In the very conception of money, it is distinguished from all exchangeable, barterable commodities, in this, that the law has set it apart, by the imprint of coinage, to be the servant of the State and of the world in its use as money, and to abstain from all commixture, as a commodity, with the other commodities of the world. Wherever and howsoever this ideal of money fails to be real, it is because the law is either inefficient, within its jurisdiction, which is its disgrace, or because its jurisdiction is limited territorially, and its vigour fails beyond the boundaries. In the latter case, I agree, silver or gold, in the shape of the coinage of one country or another, may become merchandize to be bought and sold, in other countries, as a mere money metal. Manifestly these exposures to demonetization beyond the boundaries, because the legal force which has made the metal

* *See* Count Rusconi's speech and his question to M. Pirmez, with the reply of the latter, p. 278.—A. C. T.

money stops with the boundaries, is the main cause of the mischiefs in the monetary system of the world which need redress. The cause understood, the cure is obvious. It is to carry, by some form of *consensus* among Governments, the legal relations between the two metals, in their employment as money, beyond the boundaries of separate systems of coinage. These legal relations between the metals once fixed, no important evasion of it would be possible, and no serious disturbance of it could arise from diversities of coinage. It is for this result and by this means that we are striving.

But law, it is said, is inadequate in its strength, in its capabilities, in its vigilance, in its authority, to accomplish so great, so benign a result. It was accomplished up to the year 1870 by even the informal concurrence among the nations which till then subsisted. The spirit of the present age has led to manifold international applications of positive law on other subjects than money, while there is no subject to which its application is so important, or, within limits, so easy as money. For want of this *consensus*, the necessary conception of money, the institution of money, the consecration of money, is defeated, *pro tanto*, when any portion of the money loses its prerogative and incommunicable function of buying and selling all, and becomes purchasable or vendable. Whenever any portion of the money which should be used as the solvent for the exchange of commodities, turns into a commodity, it thereby not only diminishes the force and volume of money, but adds to the weight and volume of exchangeable commodities. It is as little a condition of health, and may lead to as great calamities, as if the fevered blood should burn the tissues of the vital channels through which it circulates, or as if the coats of the stomach should turn to digesting themselves.

To me it seems certain that the nations must contemplate either the employment of the two metals as intrinsic money of the world, upon a fixed, efficient concord and co-operation between them, or their surrender to perpetual struggle, aggravating itself at every triumph of one over the other, and finally ending in that calamity which overtakes, sooner or later, those who care not to use the bounties of nature according to the gift and the responsibility of reason. I can see nothing valuable in the treatment of this subject which would leave the broken leash that so long held together these metals, to

be repaired by chance, or the contest to be kept up at the expense of that unity, concord, common advantage, and general progress among nations, which is the ideal and the hope, the pride and the enjoyment, of the age in which we live.

M. Pirmez, however, would have us understand that this simple law of fixing the ratio between the metals, to be observed among concurring nations, although this *consensus* should include all the nations most engaged in the interchanges of the world, would be powerless because it would be opposed to the law of nature.* The law of nature, no doubt, has made two metals, but according to the best inspection of them by science and common sense, the law of nature has made them as little diverse as possible, compatibly with their best use as money. I agree that there may be foolish laws. There may be laws theoretically wise, but which, by the law-giver not computing the difficulties to be overcome, or the repugnances that will resist their execution, are unwise for the time and the circumstances to which they are applied. I believe, as M. Pirmez does, that an ill-matched struggle between arbitrary decree and the firm principles of human nature will result in the overthrow of the law. But that doctrine, at bottom, if you are to apply it without regard to the very law and without measuring the actual repugnance and resistance it has to meet, is simply impugning civilization for having fought with nature as it has done from the beginning. We had, some years ago, a revenue law in the United States, called forth by the exigencies of war expenditure, by which we undertook to exact a tax of two dollars a gallon on whiskey; yet whiskey was sold all over the United States, tax paid, at one dollar and sixty cents a gallon. This was a case of miscalculation of how far authority could go against a natural appetite and a national taste. When we reduced the tax to sixty cents on the gallon, the law triumphed over this opposition of appetite and cupidity, and produced an immense revenue to the Treasury. It is the old puzzle how to reconcile the law of nature, that abhorred a vacuum, with its ceasing to operate beyond 33 feet in height. This was solved by the wise accommodation between philosophy and fact, that nature abhorred a vacuum, to be sure, but only abhorred it to a certain extent. As I have said, the informal, the unconscious, the merely historical and traditionary *consensus*

* *See* M. Pirmez's Speeches, pp. 75 and 275.—A. C. T.

of mankind made and maintained an equilibrium between the metals among the nations up to 1870. With more vigorous aid from positive law, that "written reason," which, M. Pirmez says, is all the law there ever is or can be, I cannot but anticipate the suppression of the discord and struggle between the moneys of the world which now trouble commerce.

In my judgment the progress which has been made here, the comparison of opinions, the indication of the interests of governments behind, all point to a general desire for a good result from our deliberations which is an augury of success, for "where there's a will, there's a way." I cannot believe that England can long occupy the position of estrangement from either of the systems about which we debate. The British Empire is neither mono-metallist nor bi-metallist, but bi-mono-metallist. The British Empire cannot be mono-metallist gold, nor mono-metallist silver, throughout its length and breadth. Its present position of bi-mono-metallism is entirely inconsistent with reason and with government. It must be bi-metallic sooner or later, for it cannot maintain the permanent position of a house divided against itself, which cannot stand. At this stage, then, of the deliberation, without entering into a discussion of details, it seems to me that the moment is most opportune and the spirit most excellent for a recess for some weeks. In this interval, we may expect a definite and practical consideration by the various Governments, of what the duty and interest of each require from it towards the common end they desire.

At the end of the Address, the Conference decreed the closing of the general discussion on the List of Questions.

M. Moret y Prendergast (Delegate of Spain) requested to be allowed to present a motion of adjournment. The general discussion had closed, and he did not doubt that this proposition would obtain unanimous consent; at the same time he thought it useful to determine, in a few words, its sense and its object. The Conference has heard since its second meeting such important declarations, that several delegates had thought at once that there was reason to suspend the sittings in order to leave their respective Governments the facility of giving them new instructions, or even to enter into direct negotiations. These declarations, it is known, were those of the German Delegates to which we afterwards added the verbal explanations of Baron Thielman, and the indications which the Russian Delegate

submitted to the Conference.* On the other side, the Delegates of England have assured us of the sympathetic reception which the British Government reserved for all suggestions tending to ameliorate the situation of the monetary market, and Mr. Gladstone himself confirmed these sentiments before the House of Commons. These facts permit us to hope for an understanding —an understanding perhaps difficult, but possible, and, above all, desirable. It is possible, for it seems after the brilliant apology which has been made for mono-metallism in the Conference, that this doctrine may have lost a little of its past rigour and inflexibility. Its defenders appear to admit the establishment of an universal monetary system, which, far from opposing itself to the employment of silver as money, tends, on the contrary, to raise the value of this metal. Is this combination realizable. We can hardly pronounce as yet; but it is certain that if we were all inspired with the ideas which have just been developed with so much eloquence by the first Delegate of the United States, we should arrive much more quickly than we think, perhaps, at a satisfactory solution. From the moment when the idea of a monetary system with two metals is admitted, while the question of a single standard or a double standard is got rid of, an understanding may become relatively easy. It is in every case exceedingly desirable. The words of M. Luzzati, the information given by M. Denormandie, the observations presented by Sir Louis Mallet on the subject of the situation of India, all show that there is a monetary danger suspended over the civilized world, and that this danger may, from one moment to another, transform itself into disaster, if we have neither the courage nor the necessary ability to disperse it. Without doubt, if we separately face the situation of each state, we may, for most of them come to optimist conclusions, as M. Pirmez does; but if, after having examined the situation of each country, considered alone, we look at the whole, we see immediately that the slightest derangements might bring about a crisis. It is often in fact on the eve of epidemics that sanitary statistics show the best state of health. Now, there is in the present state of Europe, from a monetary point of view, a germ of illness and trouble; it is the rupture of the equilibrium, the relaxing of the bonds of companionship which formally existed between the states. Germany has broken them by her

* *See* pp. 13, 18, and 92.—A. C. T.

monetary reform of 1871, and she has been the first to suffer from it; but the effect may be perceived far beyond her frontiers. If we suppose another year a bad harvest, and France obliged to import from foreign countries a part of her subsistence, silver not being international money, she must pay for it in gold. This gold, the Bank of France, not possessing in sufficient quantity, must demand from the Bank of England; but the Bank of England in its turn, seeing its metallic reserve in gold diminish, will raise its rate of interest, perhaps to 12, 14, and 16 per cent., that is up to those bank-rates which bring with them incalculable ruin. We should then have one of those terrible crises from which we cannot issue without walking over corpses and whose withering influence the whole world feels. Without doubt, we must hope, we must wish that these pessimist predictions may not be realized; but the possibility to which they refer is not the less possible, and this possibility suffices to make all the governments have the wish to seek to shelter themselves from such terrible risks by trying to come to an understanding with a view to the re-habilitation of silver. Can they do so? This question is no longer within the competence of the delegates, but belongs to the governments which they represent. All that the Conference can and ought to do at present, is to state, before adjourning, that there is, in the opinion of all the delegates, something to be attempted; it is to affirm, whilst separating for several weeks, its resolution to resume on a fixed date, and after a brief delay, its deliberations with new and more complete instructions. It is with this idea, already indicated by M. Seismit-Doda, that I have prepared and submitted to the Conference the following proposed resolution:—

The Conference, after having heard a general discussion, after having examined the monetary situation in an international point of view, after hearing the declarations which have been made in the name of a certain number of Governments, considering that several Delegates have shown a wish to see the Sittings temporarily suspended in order to be enabled to refer with regard to them to their Governments in order that these Governments may be able to pronounce on the propositions which have been drawn up in the Conference and on the resolutions to be taken to co-operate for the rehabilitation of silver;

Decides :—

That the Sittings of the Conference are suspended from the 19th May to the 30th June next.

The Delegates will therefore resume their Sittings on the 30th of June at 2 p.m. at the Ministry of Foreign Affairs at Paris, without there being any need of calling them together again.

The discussion being opened on the proposition of M. Moret y Prendergast—

Lord Reay (Delegate of India) spoke as follows :—I think that before separating, it will not be out of place to define precisely the situation in which we now find ourselves. If, on the one hand, it is clear that neither mono-metallist nor bi-metallist has been shaken in his convictions, it is clear, on the other, that both mono-metallists and bi-metallists have learnt to respect each other.

The excellent speeches which we have heard will be valuable contributions to the progress of economic science. On our next re-assembling, however, it will be necessary to follow up the vain efforts which we have made to convert each other by a more successful attempt to establish an agreement which shall take into account the different systems adopted by the different governments.

With one or two slight exceptions, the general inconvenience of the existing state of things has been recognized. Its victims are to be found both in bi-metallic and mono-metallic countries. So far, neither of the systems has succeeded. In this state of things it is clear that the concert which it is wished to establish, must either be made between the powers which desire to remain mono-metallist, and those which are or tend to become bi-metallist, or not be made at all. Coming to practical steps, it appears to me that, in the first place, it would be important to approach the Government of Austria, with a view to obtain its adhesion to the union which the United States and the Latin Union desire to establish. The concurrence of Austria-Hungary would be of the very highest importance in giving to the states above mentioned a powerful support for the realization of their wishes, even though Austria-Hungary should not substitute specie payments for its paper money at once.

I should like also to submit for your consideration a proposal for asking the opinion of the principal Banks of Issue in

the different states. It is obvious that, even in the states which have a single gold standard, these institutions could render valuable assistance in the operations resulting from a resumption of the free coinage of silver in other states. The eminent men who direct them—and we must not forget that the Imperial Bank of Germany is directly subject to the Chancellor of the Empire—could remove many of the difficulties which would attend the governments who undertook to rehabilitate silver. The distinguished statesman who represents Sweden said that we were not diplomatists, and the delegate of bi-metallism replied that bi-metallists were philosophers. I willingly accord to M. Cernuschi (whose complete devotion to the cause which he extols I admire) the name and fame of a philosopher. Moreover, as public prosecutor of bi-metallism, he has indicted Great Britain and India for having committed the double crime of mono-metallism in Europe and mono-metallism in Asia. The fact that gold has been adopted in one continent, and silver in the other, does not even constitute an extenuating circumstance in his address as bi-metallic counsel.

But to avoid the danger which threatens us, we want something besides philosophers and philosophic theories: we must have diplomacy; on our re-assembling we must lend an ear to the mono-metallic and bi-metallic statesman, in order to effect a *modus vivendi* between the powers adhering to the different systems. The habits of English statesmen tend to make them consider facts, to seek rather what is relatively possible than what is absolutely impossible. If it is desired to embark on the enterprise of introducing the bi-metallic system into the United Kingdom, you cannot do better than practise what you preach, and begin the task by introducing bi-metallism at home. India has suffered for the mono-metallic cause; it would be another glory for the bi-metallists to accept, in order to inaugurate the universal reign to which they look forward, the slight burden of some inconveniences, which, on their own showing, will be only temporary. The surplus in the French budgets, and the brilliant conversion of a portion of their debt just effected by the United States, establish in a most remarkable manner that their marvellous financial position is strong enough to permit of their making the experiment of bi-metallism.

On the part of Great Britain and India, I must decline both the extreme honour and the extreme disgrace which the parti-

sans and adversaries of bi-metallism confer upon them when they pretend that with these two Empires all is possible, and without them nothing. The English Government has testified, on many occasions, its desire to create and maintain intimate relations between the different powers. It is convinced that these relations are a guarantee for the peace and prosperity of the nations. Its resolution not to join a Bi-metallic Convention is inspired neither by selfishness, nor by a disregard for the interests of other countries. I flatter myself that you will render justice to the Government of England, and that you will not forget that the commerce of the world enjoys in our country a freedom from duty and obstruction which is certainly far from being either selfish or universally adopted. In matters of free trade it did not wait for the co-operation of other countries to apply principles which it believed to be true. Be assured, also, that if you succeed in giving practical effect to the principles of bi-metallism without our co-operation, we shall be the first to render to you the homage which has always been paid in my country to any work which has for its object to draw closer the bonds which unite nations.

The great problem which we have to solve cannot be determined in a moment, and there is no reason for discouragement in the conviction at which we have arrived, that all the powers are not of the same opinion. It is not in ignoring the difficulty, but in recognizing it, that we can overcome it. The Delegates of the United Kingdom, of India, and of Canada, will have the honour of sharing in your further labours, animated by the generous instincts with which we have been hitherto guided, and which are the best guarantee for the ultimate success of an agreement which will not, perhaps, realise all the dreams of theory, but which will be worthy of the statesmen from whom we ask it, and on whose co-operation alone it depends.

M. Seismit-Doda (First Delegate of Italy) supported the Motion of the Delegate of Spain.

Count Küfstein (First Delegate of Austria-Hungary) stated that he did not oppose the proposed adjournment, but he felt a fear that the date of the 30th June would be too near a one to permit the different Governments to obtain during so brief a delay all the necessary information, and to give their Delegates the new instructions which the latter might need.

M. Vrolik (First Delegate of Holland) partook in this opinion. He thought it would be well, while adopting in principle the adjournment to the 30th of June, to point out that if between now and then they found a necessity for a longer suspension of the Sittings, the recommencement of the work of the Conference might be postponed by a common agreement by the two Governments which had called it together. M. Vrolik proposed therefore to complete the Motion of the Spanish Delegate by the addition of the following paragraph:—

> "*If, however, during the month of June any events occur which render it probable that the Conference would produce larger results if it assembled at another period, the Delegates of France and of the United States will be empowered to call it together at a more distant date.*"

The Delegate of Norway stated that he supported this amendment.

M. Denormandie (Delegate of France) remarked that the French delegates would object to an adjournment beyond the beginning of July. Several motives, among which the most pressing was the re-union of the General Councils, would oblige them, in fact, to leave Paris from the commencement of August. On the other side, it would be perhaps difficult to keep in Europe for more than six weeks, and without a meeting of the Conference, the Delegates of the United States.

Mr. Dana Horton (Delegate of the United States) supported, in the name of the American Delegation, the last part of M. Denormandie's observations.

The President expressed the opinion that the adoption of the amendment presented by M. Vrolik might cause a belief in the indefinite adjournment of the work of the Conference, and might thus produce a wrong impression with the public. From this point of view it would be better, as the Spanish Delegate proposed, to fix in advance and in a precise manner the date of the next sitting.

Mr. Thurman (Delegate of the United States) thought equally that it would be preferable that the Conference should indicate itself the day of the re-commencement of its labours, without leaving to the Delegates of France and of America the responsibility of a prolongation of the adjournment. He hoped that M. Vrolik would, in order to facilitate the giving of an unanimous vote, abandon the amendment which he proposed.

M. Vrolik (First Delegate of Holland) replied, that seeing the wishes of the Delegates of the two Powers which convoked the Conference, he thought that he ought to withdraw his amendment. He was, however, still afraid that the delay proposed by the Spanish Delegate would be too short.

The President thanked M. Vrolik for having been good enough to consent to withdraw his amendment.

The Motion of Adjournment presented by the Spanish Delegate was put to the vote.

M. Garnier-Heldewier (Delegate of Belgium) declared that M. Pirmez and himself were ready to vote for this motion. They thought they ought, however, to remark that in their opinion this vote prejudged absolutely nothing, and left all rights intact and all opinions entire. It seemed to them useful to make this observation in order to guard against any misunderstanding with regard to the bearing of the decision of the Conference.

Messieurs Kern, Broch, De Thörner, Baron Thielmann, Forssell, and Count San Miguel all stated similar reserves with regard to what concerned themselves.

With the benefit of these reserves the motion of the Spanish Delegate was unanimously adopted.

On the proposal of the Indian Delegates and after different observations had been exchanged between Messieurs Moret y Prendergast and Baron Thielmann and the President, the following motion was put to the vote and adopted unanimously:—

> "*The Conference expresses the desire that the Governments of the different States represented here would be good enough to ask for the advice of the principal Banks of Issue of each country on the monetary question, and to communicate to the Conference their replies.*"

M. Pierson (Delegate of Holland) asked to be allowed to put a question to the United States Delegates. When the Conference shall meet again it will be of the greatest importance that it should know with precision the views of the different Powers represented here. The more complete this Conference will be, the more fruitful will be its debates. Now, there is a question on which precise information is wanting in the Conference. It is well-known that, in the United States, silver pieces at this moment are not accepted on the same footing as gold pieces, and that transactions, in a great part, are made with this last metal.

What measures will the United States take in the hypothesis of the adoption of bi-metallism to remedy this inconvenience? In the greater part of the countries of Europe it is possible to compel the banks of issue to buy at fixed prices silver or gold, a measure which would have excellent effect in placing on the same footing, in all commercial transactions, the two metals, because bank notes would represent them at the same standard without any distinction. What can America, where privileged banks do not exist, do in a similar case? In short, what can America do that bi-metallism in America should exist, not only in name, but also in reality? The Delegates of Holland would submit this question to their American colleagues, not in order that they might reply at once, but begging them to be good enough to give a very precise reply when the Conference should be reunited. The Delegates of Holland did not conceal that they put this question with a very practical aim. There might be occasion to examine, when the Conference should be reunited, what number of states would be sufficient to ensure the regular action of the *régime* of a double standard. Now, this examination could not be brought to a good end, except in so far as the question which had just been presented in the name of the Delegation of Holland might be resolved in the clearest way.

M. Vrolik (First Delegate of Holland), becoming the interpreter of the feelings of all his colleagues, thought that he ought, at the moment when this first phase of the work of the Conference was terminating, to offer to the French Minister of Finance the expression of their thanks for the honour which he had done them in accepting the Presidency of the Conference, and for the benevolent impartiality with which he had directed their debates.

The President thanked the Delegates for having enabled him to participate in the laborious and interesting deliberations of the Conference, and he wished to express to them how much he felt himself honoured in having presided over their labours.

The Conference unanimously voted thanks to the secretaries, and separated at 6 p.m.

APPENDIX TO THE EIGHTH SITTING.

MEMORANDUM PRESENTED BY MR. L. C. PROBYN, OF LONDON, AND COMMUNICATED TO THE CONFERENCE BY LORD REAY, DELEGATE OF INDIA.

The principal function of silver as money should be its employment for subsidiary currency; its value should be maintained by this function being encouraged rather than by the extension of its use on the same footing as gold. To use Lord Liverpool's words, "where the function of the gold coins as a measure of property ceases, there only that of the silver coins should begin;" or to describe more exactly the remedy I should apply: "Where the function of the silver coins as a measure of property ceases there only should that of the gold coin begin."

This division of their functions can only be secured by not striking gold coins of any smaller denomination than the limit fixed as that where the function of the gold coins should begin. If it be determined that the function of gold should begin at £1, nothing smaller than £1, should be coined in gold.

For some reasons it is convenient that the function of gold should begin at a lower amount; say, as it does at present in England, at the half-sovereign. But if there be a necessity for the increased employment of silver this should be secured, even though it may cause some slight inconvenience, rather by increasing the area of its legitimate and clearly defined function, than by its indiscriminate use as a standard of value under the same conditions as gold.

Under this proposition silver remains a token currency, and as over issue, and consequent depreciation, must be guarded against, the effect would not be very important unless a high limit were placed as that below which gold should not be used.

It should be remembered, however, that the effect of the increased use of silver in this manner will be twofold:—1st. The gold, so far as it would otherwise be used for small payments alone, would be saved. 2nd. There would be a corresponding increased employment for silver.

The recent statement of the German delegate shows that nearly £24,000,000 of gold has been absorbed in 5 and 10-mark pieces. If the German Government had determined not to coin any gold coin smaller than the 20-mark pieces, a considerable part of this large sum of gold might have been saved, and there would have been also an increased use for silver. So in France: if the 10 and 5-franc gold pieces now circulating in that country for small payments were in the form of 20-franc pieces, their place would have been taken by some of the silver 5-franc pieces now uselessly cumbering the Bank vaults, and the gold reserve would have been strengthened in a corresponding degree; while if the gold 10 and 5-franc pieces now in its balance were in the shape of full weight 20-franc pieces the position of the Bank of France would have been still further improved. And so too with England. We probably have £18,000,000 of half-sovereigns in circulation. Some considerable portion of this is employed exclusively for small every day transactions, for which sovereigns are too large to be used. To this extent then gold would be saved by the limit of the gold coin being raised from 10*s.* to £1, and there would be to the same extent increased employment for silver. Some portion no doubt constitutes part of our gold reserve, and is the basis of our large payments, and of our note circulation; and though in respect to this portion there would be no direct saving by raising the limit, such reserve would be more conveniently held in the shape of full weight sovereigns or in larger gold coins, than in half-sovereigns which are more troublesome to count and are specially liable to loss by abrasion. Similar remarks might doubtless be applied to the small gold currency of other European countries, and of America.

The inconvenience caused by thus raising the limit for the function of silver would be confined to the upper classes. The lower classes have few transactions in which small gold coins find a place, and comparatively many for the settlement of which such coins would be useless; they are also more likely to lose small gold, than large silver, coins. Habit too has a good deal to do with it. And inconvenient no doubt as the abolition of the half-sovereign for instance would be to some of us, it would probably not take long to accustom us to the change.

Further too there might be, what I call, *token-notes*, partially supported by a silver token coin reserve, for the higher subsidiary payments.

Let us examine the effect of displacing the small gold in circulation in a country by such token-notes.

Such displaced gold would be made up of three amounts :—

I. The amount which constituted part of the reserve and of the basis of large and international transactions, and for the treatment of which as full standard money provision would have to be made.

II. The amount required, and used in its present form, for small transactions.

III. The amount ordinarily used for small transactions, but which would require to be changed at certain seasons into still smaller values.

The only improvement to the position of silver which the displacement of I. would cause would be the saving of gold wear and tear owing to the circulation of paper instead of gold, and owing to the less abrasion in large than in small coins.

The displacement of II. would altogether save this amount of gold.

The displacement of III. would altogether save this amount of gold, and at the same time give employment to a corresponding amount of silver.

Allusion has been made to the danger of an over issue of a token currency. There might be still greater danger of the over issue of a token currency of which part consisted of paper. But there is a simple way of guarding against it. It is by providing for freedom of exchange of the token, into full legal tender currency, if presented at the proper place in sufficient quantities. Such an arrangement is in force in regard to the token currency of India. A token has been well called a "mint promise to pay." If these "mint promises to pay" are presented in sufficient quantities, they would be redeemed. There can, then, be no fear of an excess issue. But at the same time a certain amount of such tokens will always remain in circulation; an amount which will depend on the limit below which full legal-tender money is not available. And if there be a considerable difference between the highest and lowest token issued, there will be at certain times an expansion of the higher, and a contraction of the lower, token currency, and *vice versâ*, to meet which it will be necessary to hold in reserve that description of token currency which it is possible may be required.

I have alluded to the considerable loss which small gold coins suffer by abrasion. The frequent references to this subject in the correspondence columns of the *Times* show its importance at any rate in England. The condition of our gold currency is known to be most unsatisfactory. The increased use of token silver, and the employment of token notes, would save much of the loss now occurring from the abrasion of gold, and much of the consequent inconvenience which the last holders of worn coins at present suffer.

LESLIE CHARLES PROBYN.*

East India United Service Club,
Saint James's Square, London,
12 May, 1881.

* Late of the Bengal Civil Service and Accountant-General of the Panjab, and afterwards of Madras. Retired in 1879.

APPENDIX I. TO THE WHOLE WORK.

Net Revenue and Expenditure of India 1879-82, extracted from Parliamentary Paper, No. 267, of 2nd June, 1881).*

(*A.*) *Revenue.*

HEAD.	Actuals, 1879-80.	Regular Estimate, 1880-81.	Budget Estimate, 1881-82.
	£	£	£
I. Land Revenue	18,869,550	18,069,036	18,756,000
II. Tributes and Contributions	702,451	751,000	705,000
III. Forest	208,933	226,234	199,000
IV. Excise	2,714,064	2,980,000	2.932,000
V. Assessed Taxes	696,651	527,000	535,000
VI. Provincial Rates	2,826,562	2,735,000	2,815,000
VII. Customs	2,026,513	2,322,000	2,161,000
VIII. Salt	6,895,713	6,681,998	6,725,000
IX. Opium	8,249,808	8,468,012	6,500,000
X. Stamps	3,046,013	3,164,198	3,176,000
XI. Registration	103,345	112,000	104,000
	..	46,036,478	44,608,000
Refunds and Drawbacks	..	434,000	350,000
Total Net Revenue	46,339,603	45,602,478	44,258,000
Deficit....................	1,182,949	6,219,767	..
Total Net Expenditure......	47,522,552	51,822,245	..
Gross Revenue	68,484,666	70,783,615	70,981,000

* I have extracted this Balance Sheet of the Indian Empire for the present three years from the Parliamentary Return in order to show what are the sums (on both sides of the account) with which the Indian Government has to deal, as considerable ignorance prevails on the subject, even amongst well-informed persons, particularly abroad. It is as well to remember in dealing with Indian Monetary Questions, that the Net Revenue and Expenditure of the Government of India may be put down roughly and on the average at 50 millions pounds sterling each, and the Gross Revenue and Expenditure at 70 millions sterling each.—A. C. T.

(*B*) *Expenditure.*

HEAD.	Actuals, 1879-80.	Regular Estimate, 1880-81.	Budget Estimate, 1881-82.
	£	£	£
I. Mint	— *121,020*	— *9,149*	16,000
II. Post Office	141,182	150,558	131,000
III. Telegraph	— *34,409*	— *34,964*	81,000
IV. Allowances, &c., under Treaties	1,814,635	1,908,001	1,943,000
V. Administration	1,492,280	1,542,971	1,519,000
VI. Minor Departments	258,978	323,300	357,000
VII. Law and Justice	2,661,583	2,554,866	2,687,000
VIII. Police	2,270,098	2,278,000	2,335,000
IX. Marine	272,653	325,060	525,000
X. Education	828,219	836,907	915,000
XI. Ecclesiastical	156,012	158,855	159,000
XII. Medical	613,891	625,593	656,000
XIII. Stationery & Printing	362,490	427,808	451,000
XIV. Political	430,571	520,887	562,000
XV. Furlough Allowances	215,092	223,639	234,000
XVI. Superannuation, &c., Allowances	1,671,556	1,837,135	1,749,000
XVII. Miscellaneous	55,313	— *103,016*	..
XVIII. Provincial and Local Balances	613,299	90,000	— *707,000*
XIX. Interest	4,228,256	3,297,329	3,569,000
XX. Army	15,866,756	15,466,132	15,645,000
XXI. War in Afghanistan	4,766,124	9,095,963	— *790,000*
XXII. Loss by Exchange	2,926,403	2,553,000	3,063,000
XXIII. Famine Relief	103,990	47,281	1,500,000
XXIV. Public Works, Ordinary	3,389,343	4,040,744	4,550,000
XXV. Irrigation and Navigation	475,840	525,786	746,000
XXVI. State Railways	471,410	745,000	417,000
XXVII. Frontier Railways	1,334,350	2,199,697	790,000
XXVIII. Excess Expenditure on Productive Public Works	277,657	194,862	300,000
Total Net Expenditure	47,522,552	51,822,245	43,403,000
Surplus	..	..	855,000
Total Net Revenue	46,339,603	45,602,478	44,258,000
Gross Expenditure	69,667,615	77,003,382	70,126,000

APPENDIX II. TO THE WHOLE WORK.

Report of the Commissioners appointed to represent Her Majesty's Government at the Monetary Conference held at Paris in August, 1878.

Presented to both Houses of Parliament by Command of Her Majesty.

To the Lords Commissioners of Her Majesty's Treasury.

May it please your Lordships,—

We have the honour to forward herewith the Procès-Verbaux of the International Monetary Conference, held in Paris under the presidency of M. Léon Say, which we were requested to attend by your Lordships' Minute of the 5th August last.

The Conference met at the instance of the Government of the United States, in accordance with the second section of the Act passed by Congress early in the present year, "to authorize the coinage of the standard silver dollar, and to restore its legal-tender character." The words of this section are as follows:—

Origin of the Conference.

"Immediately after the passage of this Act, the President shall invite the governments of the countries composing the Latin Union so called, and of such other European nations as he may deem advisable, to join the United States in a Conference to adopt a common ratio as between gold and silver for the purpose of establishing internationally the use of bi-metallic money, and securing fixity of relative value between these metals."

In the letter which your Lordships caused to be addressed to the Foreign Office on the 20th May last, in answer to the invitation of the United States, it was stated that the United Kingdom has, since 1816, or for a period of more than sixty years, confined itself to a single standard of value, viz., gold. The policy of a single standard has been accepted by governments of all parties, and by the people. It has never, in fact,

been seriously attacked, and without entering on a theoretical discussion, my Lords consider themselves justified in asserting that both Government and people are satisfied with a system which has approved itself to them by long experience, and that there has been and is no expression of public opinion in favour of an endeavour to establish a common ratio between two metals which vary continually, and not simultaneously, in value. The question, therefore, to be submitted to the Conference is not an open question so far as the United Kingdom is concerned."

Your Lordships, therefore, considered that, as there was no ground for concerted action between the Government of Her Majesty and that of the United States, it would hardly be consistent with the respect due to a friendly government if Her Majesty's Government were to enter the Conference on the conditions laid down in the Act, which involved, not the discussion, but the adoption of the principle of bi-metallic money.

Your Lordships, however, subsequently received a communication from the Secretary of State for India in Council, in which it was stated that, considering the important bearing of this question on the interests of India, his Lordship would be glad to learn that Her Majesty's Government had decided to take part in the proposed Conference; and your Lordships, therefore, consented that this country should be represented, provided that the terms of the invitation were so far modified as to allow the free discussion in all its bearings of the subject of the standards of currency used in various countries and the relations which exist or can be established between them, it being clearly understood that England could in no way depart from the policy in respect to currency questions which she has pursued for the last sixty years.

Acceptance by Her Majesty's Government of invitation from United States.

The Government of the United States having accepted the representation of Her Majesty's Government upon these terms, your Lordships were pleased to request us to proceed to Paris in order to represent Her Majesty's Government at the International Conference on Bi-metallic Currency which met in August last. The understanding with regard to our taking no part in any vote which would place in question the maintenance of a single gold standard in England was of course embodied in our instructions.

The distinct limitation thus imposed on our proceedings at the Conference did not, however, preclude us from taking an

active part in its deliberations. For, in the first place, our position with regard to the Indian Empire, where the silver standard prevails, and with regard to which we were not bound as we were in the case of England, gave us a most important *locus standi*, and the deepest interest in any discussions involving the future of silver; and, in the next place, we found that the representatives of several other Governments were, similarly with ourselves, distinctly precluded from voting on any proposition which would involve changes in the currency laws of the countries which they represented.

Opposition of the Scandinavian Union, Belgium, and Switzerland to the proposals of the United States.

While, therefore, the United States had called the Conference together with a view to common action being taken, it was clear, at the very commencement of our proceedings, that, with few exceptions, the countries of Europe were convinced, even before our sittings were opened, either of the inexpediency or of the impossibility of the course which was recommended by the United States. Declarations were accordingly soon made by the representatives of various Governments making it at once apparent that the Conference would have no practical result.

Dr. Broch (Norway) was the first to declare that the Governments of Sweden and Norway, who were committed to the single gold standard, had accepted the invitation of the United States on the same terms as those on which Her Majesty's Government consented to nominate your Commissioners.

M. Pirmez (Belgium) and M. Feer Herzog (Switzerland), representing countries included in the Latin Union where the double standard still exists in a modified form, had received the most stringent instructions not to commit themselves in any way to the ultimate maintenance of silver as a standard in their respective countries.

Expectant attitude of Austria and France.

Other Governments, such as that of Austria, had instructed their representatives to state that they intended to maintain an expectant attitude, and when France, the leading country in Europe amongst those where the silver currency has not been demonetized, also declared in favour of an expectant attitude, it was perfectly clear that all prospect of any common action for the "rehabilitation of silver," such as was desired by the United States, was out of the question even among a limited group of nations.

Germany was not represented at the Conference. Her abstention (to which we shall have to refer hereafter) naturally

increased the difficulty of arriving at any understanding. The representatives of the United States were most loth to recognize this position. To the very close of the Conference, supported by Italy alone, they pleaded on behalf of common action as if it were an open question, and when compelled to acknowledge that action was impossible, urged at least a common theoretical declaration in favour of such action, though the instructions of the majority clearly precluded such a course. But in view of the circumstances which we have detailed, most of the members of the Conference perceived at once that no definite result could be obtained, and that it only remained to exchange opinions, and to collect all possible information as to the intentions and policy of the Governments represented with regard to the monetary circumstances of their respective countries as affected by the fall of silver.

We have great satisfaction in stating that in this respect the most perfect frankness prevailed, all members of the Conference vying with each other in contributing materials of common interest, and in stating, without reserve, how their Governments viewed the position.

We had the advantage not only of obtaining information during the debates of the Conference, but also of exchanging private communications with the Delegates from the different countries. We trust that the information thus collected, especially as to the probable future policy of various states with regard to the silver question, may not be without some interest.

Currency systems of Europe.

The present position of most European countries with reference to a metallic currency is well known to your Lordships. Besides the United Kingdom, Germany and the Scandinavian Union, comprising Sweden, Norway, and Denmark, have completely adopted the single gold standard.

Holland is in a transition state. By a law passed in 1875, a new monetary system was legalized on the principle of a double standard. Gold was valued in relation to silver at 15·625 to 1. Her object was to provide gold for Europe and silver for her Eastern possessions, keeping the same currency in both divisions; as, however, the depreciation of silver made rapid progress, Holland has, since 1875, suspended the coinage of silver, while nominally retaining the double standard.

In the Latin Union, which comprises France, Belgium, Switzerland, Italy, and Greece, the double standard still pre-

vails, gold and silver coins being legal tender for unlimited amounts, though the coinage of silver bullion into coin has been for the present suspended, and Italy, it should be added, having still a forced paper currency, though a member of the Union.

Austria and Russia have also a forced paper currency, but the unit of value is nominally a silver coin.

Accordingly, at the present moment there is an important group of nations with a single gold standard, an important group of nations with a double standard, and a third group of nations which originally had a silver standard, but now have a forced paper currency.

No European country represented at the Conference has a metallic currency with a single silver standard at present, but both the United Kingdom and Holland have Eastern possessions in which a silver currency alone exists.

The United States of America are in a transition state, about to resume specie payments, and to resume them on the footing of a double standard, but with limitations as to the amount of silver which is to be coined.

Such are the actual circumstances of the various nations.*

Position of the several States with regard to the silver question.

We proceed to describe the attitude which they appear to have assumed in regard to the silver question.

Germany and the Scandinavian Union.

The countries which have adopted a single gold standard, and have no Eastern possessions, have clearly made up their minds. Germany, it was understood, declined even to attend the Conference lest her attendance should be interpreted as a sign of wavering as to the policy to which she had committed herself. In the Scandinavian Union any deviation from the course adopted in 1873 seems equally out of the question.

Holland.

In Holland the position is far more complicated. Her Government are feeling the difficulty caused by the currency of her Eastern provinces most acutely, and are apparently watching the course of the English Government in relation to India with a view to examine whether it may afford a practical solution for their own adoption under analogous circumstances. Holland is, therefore, inclined to maintain an expectant attitude; but, according to the opinion expressed by her representatives, she

* Spain and Portugal were not represented at the Conference. Spain has adopted the currency of the Latin Union, though without entering the Convention, and has suspended the free coinage of silver from the 1st May last. The monetary system of Portugal is based on gold alone.

has become convinced that a single gold standard is most suitable to her as a European nation, although a single silver standard may be right or necessary in her Eastern possessions. Her proximity to Germany, and her intimate commercial relations with that gold-using country, have brought this conviction forcibly home to her.

The Latin Union.

The attitude of the countries comprising the Latin Union is particularly interesting. Though bound together by existing conventions they are at present actuated by the most divergent opinions.

Your Lordships are aware that in 1873, with a view of the depreciation of silver which then first threatened to deprive the countries forming the Latin Union, whose currency was based on a double standard, of the gold which had for many years been the chief metal in use, the Swiss Government invited the powers to join in a Conference. The meetings held in 1874, 1875, and 1876, resulted in a limitation of the coinage of five-franc pieces, which in the latter year was restricted to 120 millions of francs, allotted in various proportions to the five states composing the Union. In 1877, on the proposal of France, it was arranged by correspondence that this quantity should be reduced by one-half, and in 1878 the coinage of silver money of full value was entirely stopped, except that Italy was permitted to recoin the demonetized silver of the petty states to the amount of 10 millions of francs. But though these measures have been taken by common accord, the views of the ultimate solution held by the various members of the Union differ most materially. The French Government appears to believe, and evidently hopes, that after a lapse of time silver may so far recover its value and assume a steady relation to gold, that France may be able to return to the normal action of a double standard, which is at present interrupted by the suspension of the free coinage of silver 5-franc pieces. But as it is obvious that it is impossible to allow the free coinage of silver at the ratio of 15 to 15·5 without the certainty of losing all the gold in the country, the present policy of the French Government is to maintain the *status quo*. It will be observed that the Minister of Finance, at the third meeting of the Conference, stated that, while unable to accept the proposals of the representatives of the United States, he would be unwilling positively to reject them, and this statement fairly represents the present

France.

attitude of France, and is in accordance with the statements made by M. Dumas, who presided over the meetings of the Latin Union in 1876.

Belgium and Switzerland.

At that Conference, Switzerland had already advocated the adoption of the single gold standard; Belgium appears to be strongly disposed in the same direction; and it is likely that these countries will take advantage of the first favourable opportunity to legislate in that direction. The Latin Convention continues in force until the 1st January, 1880, and is terminable then, and at intervals of fifteen years, at one year's notice. Conferences have, however, been in progress among the members of the Union since we left Paris, which appear likely to result in some temporary prolongation of existing arrangements, the suspension of the coinage of silver 5-franc pieces being continued. It is not probable that Belgium or Switzerland will be able to carry out their wish for a single gold standard for some time to come.*

Greece.

The Greek Government had directed their Chargé d'Affaires to attend the Conference, and to state that Greece was not prepared to depart from the present expectant policy of the Latin Union.

Italy.

The remaining nation which forms part of that Union, viz., Italy, has a forced paper currency. Her opinion appears to be that it would probably be easier to resume specie payments upon the basis of a double standard than upon the basis of gold alone, and upon that ground she is not disinclined to the principles submitted by the United States. The representatives of Italy were indeed the only members of the Conference who gave an eager support to the proposals of the American delegates, and your Lordships will observe that they alone declined to accept the resolutions framed in answer thereto, and that they placed upon record their opinions in favour of the double standard, and of the adoption of an international ratio between gold and silver. It may be worth observing that a large amount of Italian subsidiary silver is said to be held in the Bank of France, and as this token coinage must be redeemed by the issuing country, it will be seen that France possesses a powerful means of exercising influence over Italy in matters of currency.†

* Since the above paragraph was printed a fresh Convention has been concluded. We add it to the Appendix.

† *Vide* Article 8 of the new Convention, Appendix.

Austria, though, like Italy, having a forced issue of paper money, appeared to be more inclined to follow an expectant attitude and less disposed to cast in her vote at once with the bi-metallists. The consideration that it would be obviously cheaper and easier to resume specie payments in silver, which is now at a very small premium as compared with paper, has evidently great weight with her. On the other hand the proximity of Germany, with whom Austria transacts four-fifths of her commerce, points to the advantage of the adoption of a monetary system based upon gold alone. Such a transition could not, however, be effected without cost; and the Government appears to be favourably inclined to the use of both metals. Austria.

One other country which has no metallic circulation was represented at the Conference, viz., Russia. Her monetary system, like that of Austria, is nominally based upon silver, but the opinions expressed by her representative were decidedly opposed to a bi-metallic system. Russia.

Your Lordships will, therefore, perceive that while Germany and the Scandinavian Union adhere to the principles which they have so recently adopted, Holland, Belgium, and Switzerland appear also to be decidedly in favour of the single gold standard; that France appears to be in favour of a double standard, but is not prepared, under the present circumstances, to resume the free coinage of silver; that Greece maintains a similar attitude; and that, of the countries having a forced paper currency, Austria and Italy appear to be inclined towards the employment of the two metals as being more likely to lead to the resumption of specie payments, while Russia remains faithful to the principle of a single standard.

Such, broadly speaking, was the situation at the time when the Conference met, and it will be seen at once that it was not propitious to the policy which the United States' Delegates had been sent to Europe to advocate. These gentlemen did not in the first instance seem inclined to submit any distinct proposals. Alleging their reluctance to appear intrusive, they deprecated being pressed to put any programme before the Conference. But it was pointed out to them that, having issued the invitation to the Governments to send Delegates to Paris, it was clearly their part to open the discussion. On this, not without some

further apologies, they placed the following broad propositions before the Conference:—

Resolutions moved by the Delegates from the United States.

1. It is the opinion of this assembly that it is not to be desired that silver should be excluded from free coinage in Europe and the United States of America. On the contrary, the Assembly believes that it is desirable that the unrestricted coinage of silver, and its use as money of unlimited legal tender, should be retained where they exist, and, as far as practicable, restored where they have ceased to exist.

2. The use of both gold and silver as unlimited legal-tender money may be safely adopted—

First. By equalizing them at a reduction to be fixed by international agreement.

Secondly. By granting to each metal, at the relation fixed, equal terms of coinage, making no discrimination between them.

Opening speech of Mr. Groesbeck.

Mr. Groesbeck was the spokesman who introduced these resolutions. The speech which he delivered on the occasion was not directed to making good the propositions contained in the resolutions. Mr. Groesbeck did not deal with the question as to the possibility, either scientific or practical, of establishing an international agreement "by which the use of both gold and silver as unlimited legal tender may be safely adopted." He confined himself mainly to an explanation of the position and attitude of the United States' Government; and, anticipating the objections, firstly, that that Government might be supposed to be influenced by their interest in the newly-discovered silver mines in Nevada; and secondly, that it might be thought somewhat remarkable that, whereas gold had been made the standard by a law passed in 1873, the double standard was now introduced in 1878, he deprecated in strong terms the idea that, because the United States were a silver-producing country, they had, as a state, any interest special to themselves in the monetary question. He pointed to the fact that gold as well as silver was produced in large quantities in the United States, and indicated reasons for his belief that the yield of the Nevada Mines would fall off at an early date. "The remonetization of silver was accordingly not an operation undertaken by the United States from selfish motives, in view of a profit which might be special to themselves, nor did it involve the introduction of a new practice. From the epoch of their foundation they had used the two metals. They had lived and prospered under

that system. Since 1792 up to the day when, in 1873, *by a kind of inadvertence* the silver standard was suppressed, it would be impossible to quote any merchant, banker, manufacturer, establishment, or, indeed, any interest whatever, as having at any time raised an objection against the simultaneous employment of the two metals. Bi-metallism, accordingly, is not only, as regards the United States, a legislative tradition, but has entered deeply into the habits of the people." *

As regards the object of the Conference, Mr. Groesbeck stated it to be to restore to silver its original position ("son rôle primitif"), and "to create a situation of equality for gold and silver, when coined, in a ratio to be fixed by common accord."

He also insisted on the firm and unshakeable determination of his country to place itself in the position of a specie-paying state, and on its power to perform its part in any arrangement which might be come to.

Mr. Groesbeck glided very gently over one important feature in the Act of 1878, the strict limitation of the amount of silver to be coined in each month. This Act, as your Lordships are aware, while re-establishing the double standard, does not legalize the free coinage of silver. The reason of this limitation was explained simply to be, that a similar course had been taken by the Latin Union.

Your Lordships will, from these observations, be able to gather the general drift of Mr. Groesbeck's speech. Without the explanations which he gave, it would not have been unreasonable to infer that the *locus standi* of the United States as regards the silver question was affected by the circumstance that, in 1873, the silver standard was discontinued; that since then the Nevada Mines have become immensely productive, with the result of a most serious fall in the price of silver; that a resumption on the basis of silver, as well as gold, thus offered the double inducement of a cheaper mode, and of a boon to a most important native interest; and that accordingly the policy of 1873 was reversed. However, the statements and explanations of Mr. Groesbeck did not pass unchallenged. M. Feer Herzog questioned the predilection of the public in the United States for the use of silver, and Mr. Goschen and others pressed Mr. Groesbeck on the remarkable allegation that silver could have been discontinued as a legal standard "by inadvertence."

* Procès-Verbaux, 2me Séance, p. 5.

The reply given was to the effect that the general public had been unaware what was passing between the Government and the Legislature; that public attention had not been called to the question, so that the Act was passed by inadvertence, at least on the part of the public.

Reserve of specie and bullion held in United States.

Mr. Goschen also questioned the United States' Commissioners with regard to the stock of bullion in hand, held by the United States' Treasury, with a view to resumption, and on the proportion of gold and silver respectively comprised in that bullion.

Mr. Fenton stated, in reply, that the Treasury held, according to the latest reports, 167,000,000 dollars in gold and 13,000,000 dollars in silver, of which less than 60,000,000 dollars were hypothecated, leaving over 120,000,000 dollars as a reserve against the greenbacks in circulation, which amount to less than 350,000,000 dollars.

We call attention to the very small proportion of silver comprised in this stock. Should the United States resume specie payments on the basis of a double standard, and maintain a portion of their reserve bullion in silver, it is clear that they would have to purchase silver very largely. It may further be presumed that, on the resumption of specie payments, a large stock of bullion will be for a long time held by the Government, and by banks, without being paid out, and it is possible that a large proportion of silver might be thus held without being circulated amongst the public, provided always that the American Commissioners are right in alleging the fixed determination of the United States to abide by a double standard.

Other points in the statements of the United States representative were vigorously dealt with by other members of the Conference, but the discussion turned almost at once from the arguments put forward by Mr. Groesbeck to the resolutions which he proposed, and to the considerations which could be adduced for and against them. However, as we have already stated, it was palpable at once that the instructions of the members of the Conference, and the intentions of the Governments which they represented, precluded those resolutions from finding much support, and therefore the main question arose as to the wisest attitude to assume with regard to them.

Advocates of the single gold standard.

M. Feer Herzog (Switzerland), M. Pirmez (Belgium), and Dr. Broch (Norway), proceeded at once to expose the economic fallacies and practical impossibilities involved in the United

States proposals, and argued strongly in favour of a single gold standard. We ourselves considered that the impossibilities of establishing a bi-metallic system by common agreement for all the world were so obvious that it was scarcely worth while to argue on the matter, while we declined, as also unnecessary, any discussion of the general merits of a single or a double standard. Those who were advocates at the Conference of a single gold standard, and opponents of bi-metallism in any form, were indeed so vigorous and capable that any further development of this aspect of the question seemed scarcely needed. On the contrary, we were unanimously of opinion that it was wise to place before the Conference some considerations which, in our judgment, might be adduced against what may be called a propaganda in favour of a single gold standard in countries where it has not yet been introduced. There appeared to us to be some danger lest the natural opposition which the proposals of the United States called forth should be carried to the extent of an argument or a declaration, still further impugning the position of silver as a factor of currency. We considered that, while a universal double standard was a utopian impossibility a single gold standard throughout the world would be a false utopia, and that further steps in that direction might tend to produce incalculable disasters to the commerce of the world.

Objections to the universal demonetization of silver.

We thought, too, that if the propositions of the American delegates should be simply rejected, that rejection might be erroneously interpreted by the public, who might see in such a declaration a verdict given against the use of silver as money. The future situation of silver might thus be further compromised, and an impression produced which would not be in accord with the opinions of the great majority of the Conference.

It was clear that in the American text there was one declaration for which nearly all the delegates might vote, and to which we ourselves were prepared to subscribe; that is to say, that it was not desirable that silver should cease to be one of the monetary metals. The American proposals exaggerated the position which it was either desirable or possible to secure for silver, but it appeared to be expedient that this error in their proposals should not induce the other members of the Conference to pronounce a condemnation of silver which would not be within their thoughts. "While putting aside entirely the question of the double standard, there was another question

which appeared to be practicable and useful to put, viz., assuming that the general double standard proposed by the United States could not be adopted, what would be the future of silver; what would be the policy to be pursued; towards what aim ought the various States to direct their efforts? This aim we considered to be to keep silver in the position which it occupies at present as the partner or natural ally of gold in all parts of the world, *where it might be possible to do so.* We considered that a campaign undertaken against silver would be exceedingly dangerous, even for the countries who have given a position as legal tender only to gold."*

We did not feel that we were precluded from taking up this ground by the fact that the English Government, not less than the English public, are perfectly determined to abide by a gold standard in the United Kingdom. The enormous interests of England in India gave us as good a *locus standi*, as regards the question, as that of the representatives of any other country, and we were able to point out to the Conference that the English came with the cleanest possible hands before the Conference in this respect. It could not be urged against us that we were arguing against the abandonment of silver in other countries, and had at the same time taken steps ourselves to limit the use of silver in our dependencies where a silver currency existed. We were able to point out that while the Latin Union and Holland had restricted the free coinage of silver, in India no steps against silver had as yet been taken. What would have been the position of silver, we were able to ask, if the metal had been demonetized in India as it had been demonetized elsewhere?

We further showed that in the controversy in favour of a single gold standard the question as to the mode in which existing stocks of silver were to be disposed of had been insufficiently considered. It was assumed that states would endeavour to rid themselves of their silver currency at the earliest possible date, but if this policy were followed by many governments, what buyers would there be for the silver to be disposed of? How could it be assumed that silver would be bought, if simultaneous steps were taken everywhere for its disuse as an active agent in the currency? Consequently, the further prosecution of the policy in favour of as universal a gold

* Procès-Verbaux, 3me Séance, p. 5, 6.

standard as possible would be likely to cause a further depreciation of silver, the proportions of which it was impossible to foresee. The monetary and commercial disturbances which would be produced by such a fall could be readily imagined, nor could the actual loss which would fall on various states be left out of account. The position of France, with an amount of silver in circulation, or in the hands of the banks, amounting to from £80,000,000 to £100,000,000, is well known; but few countries would be able to congratulate themselves upon exemption from the common misfortune of a further fall in silver. The case of Belgium was quoted at the Conference with special reference to the somewhat extreme views held by the Belgian Government with regard to the adoption of a single gold standard for the countries included in the Latin Union. Little silver is now circulated in Belgium itself, but Belgian coins to the extent of from £12,000,000 to £15,000,000 are in circulation in France, or in the hands of the Bank of France. According to the terms of the Convention these coins would be demonetized in France by the dissolution of the Latin Union. They would then be returned to Belginm, where they naturally are a legal tender, and either the Belgian Government or the Belgian public would have to bear the loss of the depreciation. The loss which would be incurred in the Eastern dependencies of the British Empire and of Holland was of course patent to all. NOTHING SURELY WOULD CREATE GREATER DISORDERS IN THE ECONOMIC SITUATION, AND PRODUCE A MORE DISASTROUS CRISIS, THAN A GENERAL EFFORT ON THE PART OF ALL STATES TO RID THEMSELVES OF THEIR SILVER AT THE SAME TIME.*

A further point would be whether, if there should be a further considerable disuse of silver, and especially if the countries which have now a forced paper currency should ultimately adopt a gold circulation, the demand for gold would not be so great as to render it difficult for the existing supplies to bear the strain, and whether the additional demand for gold might not cause formidable convulsions in trade and finance?

We were unanimously and emphatically of opinion that it was better that the currency of the world should continue to

* This is Mr. Goschen's deliberate opinion, and yet it is quite clear that if bi-metallism is not introduced, a struggle to get rid of silver and to acquire gold must set in at once, and increase in tendency every year. When this has gone on for some time, so violent a crisis will occur that all the nations will be forced to adopt bi-metallism in self-defence.—A. C. T.

rest upon the two metals than that any efforts should be made to displace silver from its share in performing the work of the currency at large.

We think we may fairly state that the considerations thus put forward did not fail to produce some effect, even upon the representatives of states who had hitherto been most active in the propaganda for the adoption of a single gold standard, and the feeling was general that it would be wiser not to give a simple negative to the proposals of the United States' Commissioners, but to make a declaration in reply, which, while it should distinctly exclude any misapprehension with regard to the possibility of the adoption of a common relation between gold and silver by a universal international agreement, should also embody an opinion that silver should continue to share the work of currency with gold. Accordingly, the following answer was drawn up:—

Amendment to the United States' Resolutions.

The Conference wish to express their sincere thanks to the Government of the United States of America for having procured an international exchange of opinion upon a subject of so much importance as the monetary question.

Having maturely considered the proposals of the Delegates of the United States, the Conference recognises—

1. *That it is necessary to maintain in the world the monetary functions of silver, as well as those of gold, but that the selection for use of one or the other of these two metals, or of both simultaneously, should be governed by the special situation of each State or group of States.*
2. *That the question of the restriction of the mintage of silver should equally be left to the discretion of each State or group of States, according to the particular position in which they may be placed; and the more, in that the disturbance which in recent years has been produced in the silver market has variously affected the monetary situation of the several countries.*
3. *That the differences of opinion which have appeared, and the fact that even the States in which the double standard exists find it impossible to enter into any engagement with regard to the unlimited coinage of silver, preclude the discussion of the question of establishing an international relation of value between the two metals.*

These resolutions were agreed to by all the representatives, except those from Italy and the United States, and were presented to the Conference by M. Léon Say. The Italian Delegates had offered a strenuous opposition to the text of these declarations, being, as we have elsewhere stated, exceedingly urgent that the various States of Europe should remain perfectly free with regard to the adoption of the double standard. M. Rusconi, on behalf of himself and M. Baralis, ultimately submitted the following reservations in the form of a distinct motion:—

Reservations of the Italian Delegates.

"*1. That in adopting the proposed formula, the Conference gives no reply to the question before it, and that, in deliberately avoiding any statement as to the possibility or impossibility of establishing a fixed ratio between gold and silver by means of an international convention, it leaves its task incomplete.*

"*2. That, since the French law established such a relation, none but unimportant oscillations have occurred in the value of the two metals, whatever may have been the variations in the product of the mines.*

"*3. That, consequently, if the French law has been able to obtain by itself this result,* a fortiori, *such a relation would be established on a base so firm that it would remain unshaken, from the date on which such states as France, England, and the United States of America agreed to fix mutually, by an international law, the value of the two coined metals.*"

Declarations against the principle of a double standard.

No support was given to this motion, but the fact of these reservations having been put forward, made us consider it necessary to be still more explicit with reference to the American proposals than we had been before. Mr. Goschen accordingly, in order to avoid any risk of misapprehension, took the opportunity of stating that he and his colleagues, while not in favour of the universal adoption of a single gold standard, considered that the establishment of a fixed ratio of gold and silver was utterly impracticable, and that they were opposed to a system of currency based upon a double standard. M. Feer Herzog, M. de Thoerner, and M. Garnier, made similar declarations on behalf of Switzerland, Russia, and Belgium; but M. de Kuefstein, for Austro-Hungary, accepted the resolutions only on the ground that they committed the delegates to no opinion in either direction, and did not assert the impossibility of such an arrangement as had been contemplated by the United States.

Your Lordships will, however, gather that with these exceptions the impossibility of such an arrangement was practically admitted by the whole of the rest of the members, side by side with their declaration of opinion that it was necessary to maintain in the world the monetary functions of silver as well as those of gold.

Change of opinion since 1867.

Though the declaration thus arrived at by a very large majority, that it is necessary to maintain in the world the monetary functions of silver as well as those of gold, may be characterized as a truism to a certain extent, we desire to point out that this expression indicates a distinctly different result from what was arrived at in the year 1867, when the International Monetary Conference met in Paris. That Conference, as well as the Royal Commission which sat in 1868, definitely recommended the universal adoption of a gold standard; but it must be remembered that both bodies assembled at a period when the discoveries of gold in California and Australia had caused silver to disappear entirely from the countries whose monetary system was based upon the double standard. That apprehension has now been replaced by the opposite apprehension that silver might be so plentiful that it might be inexpedient to retain it for purposes of legal tender.

If, as the result of the present Conference, the United States' Commissioners are able to take back to their country information that the adoption of the universal gold standard commends itself less to the judgment of the nations of Europe than it apparently did in the year 1867, on the other hand no statements were made at the Conference which would justify them in claiming any increased adhesion to the doctrine of a double standard in any country, or in assuming that, if they persevere in their attempt, they are likely to find active allies.

Prospects of the silver market.

We regret that more light was not thrown in the Conference on the probable prospects of the silver market. Considerable discussion took place as to what causes were most potent in determining the price of silver, M. Feer Herzog contending that the demand for India was the main determining cause of the rise and fall in the price of silver, and attributing very little weight either to the stock of silver in Germany, or to the suspension of the coinage in the Latin Union; while others argued very strongly that the existence of a large stock in the hands of Germany, who were ready to be sellers at any moment, exercised

a predominating influence over the market at the present time, and that the suspension of the coinage of silver in the Latin Union had also contributed in a very large degree to the fall. Mr. Gibbs pointed out to the Conference what a very different effect would be produced by a stock of silver in the hands of a government anxious to sell from an equal amount produced from the mines in ordinary course. M. Feer Herzog used the argument that, as little silver had been coined in a given time by the nations of the Latin Union prior to the suspension of the coinage, that suspension could not have greatly influenced the market, but we were unable to share the view. The privilege possessed by silver of being coined into legal tender at any moment, prior to the suspension of free coinage in the Latin Union, gave that metal a value which it has lost. It was certainly a privilege which would have tended to arrest the fall. The statement of this fact was on one occasion considered by one of the members of the Conference as an unfavourable criticism on the conduct of the Latin Union, but this was a misapprehension. They may have been perfectly right in the policy they adopted, while at the same time that policy may have aggravated the existing difficulties. The Latin Union, too, were free to adopt this course as, through the operation of the double standard, the suspension of the coinage of one metal did not deprive those who might have payments to make of the means of obtaining legal tender. The situation in this respect was different from the situation of India, where, if the free coinage of silver into rupees had been stopped, the supply of legal tender would have been entirely arrested. With regard to the stock of silver in Germany, it was estimated at the Conference to range between £16,000,000 and £18,000,000. It has hitherto apparently been impossible to ascertain the intentions of the German Government with reference to the disposal of the remaining surplus, or even to estimate with any certainty the amount of the balance yet unsold. The Select Committee of 1876 examined very carefully the various estimates which were submitted at that time, and which ranged between eight and thirty millions sterling, but they were unable to arrive at any definite opinion. They reported that "Germany has still to dispose of an amount which is certainly not less than eight millions, with a possibility that it may exceed twenty millions." M. Feer Herzog, in a pamphlet recently published, takes the

Estimates of amount of silver held by Germany.

same estimate as the Select Committee of the amount of old coinage in circulation at the close of the year 1871, viz., £59,000,000, and he states that nearly £20,000,000 of this amount have been used in the new coinage, while over £27,000,000 have been converted into bullion. Of this latter amount rather more than £23,000,000 had been sold. This would leave a balance of about £16,000,000 to be disposed of, including bullion and coin still in circulation. But all such accounts are necessarily imperfect, as sales continue to be made, and notwithstanding the care which has been taken in the framing of these estimates, the result must be considered entirely conjectural.

Invitation from the Conference to the German Government.

We wish to call special attention to the serious disadvantage which the Conference experienced through the absence of a Representative from Germany.

The Conference at its second meeting, which was the first for business purposes, expressed a wish that the German Government might once more be requested (and this time not in the name of the United States alone, but of the Conference itself) to attend their deliberations. It was to be distinctly understood that the presence of a representative should in no way be considered to indicate any possibility that the German Government would depart from the policy, which it deliberately adopted in 1870, of a single gold standard; but the fluctuations in the silver market and the general perturbation which have arisen from the course followed by Germany, had clearly so very important a bearing on the whole question, that the explanations of a German Delegate as to the amount of silver which the German Government might still have to throw upon the market, would have been of the greatest value.

No Government, represented at the Conference, has shown any reticence whatever as to their intentions. All have acted with the greatest frankness, and have spoken without reserve. Germany alone has stood aloof.

It may be contended that the statistical information published by Germany is all that can be expected to be obtained from them, but these statistics threw comparatively little light on the future sales likely to be made by Germany, and scarcely tend to remove the great obscurity which exists in that respect. It may be contended again that, as sellers, it would not be to their interest to disclose either their present situation, or their future

plans, but it is perfectly clear that the German Government themselves, as sellers, are suffering from the course which is being pursued. We are convinced, and we believe that in this we faithfully represent the general opinion, that however large the stock in Germany may still be, the silver market would be relieved of a great pressure if it were known what the extreme limits are within which further sales may be expected, and that nothing could exercise a more depressing influence on the market, than the existing state of perplexity and doubt.

The refusal of the German Government to take part in any common deliberations naturally produced a painful impression.

We scarcely know whether it is within our competence to make a suggestion, but if we may be permitted to do so, we would press upon Her Majesty's Government the extreme importance of urging on the German Government, through Her Majesty's Representative in Berlin, how great would be the benefit if Germany, like the other states in Europe, would contribute a frank and complete statement of the situation of silver within the limits of her Empire, and of the policy intended to be pursued. The derangement in mercantile operations due to the position of silver at this moment is so great and so universal, that all contributions made in the direction of clearing up the subject would be invaluable, and hailed with satisfaction by all who are interested in the question.

We must, in conclusion, express our regret, that owing to the nature of the circumstances under which the Conference assembled, and the instructions given to most of the representatives who attended it, it has not been in our power to present a more interesting report, or at least one leading to some practical result, and affording some solution of the great difficulties affecting the silver question. But we cannot but hope that some advantage may have resulted from the exchange of views which has taken place between the representatives of the various countries, and the modifications in the opinions of some of them, which may be traced to the discussions which have taken place. Your Lordships are aware that, as regards ourselves, it did not lie within our functions or our instructions to initiate any proposals, tending in any way to compromise either the Home Government or the Government of India. At the same time, as has appeared from the observations we have made, we trust we may be considered to have made some con- Conclusion.

tributions towards arresting what might be a suicidal tendency in several quarters to hasten the disuse of silver as currency.

Your Lordships will also observe that much valuable information is contained in the documents which are annexed to the Procès-Verbaux. In particular, we would call attention to the very useful tables with reference to the relation which silver has borne to gold at different periods since the sixteenth century, and with regard to the intrinsic value of the existing gold coins; also to the diagram representing the fluctuations of the London silver market during the last six years. We also trust that the statements presented by the Delegates, relating to the monetary system of the countries which they severally represented, will be valuable to the student of currency questions. Similar information, in a very carefully prepared form, was appended to the Report of the Royal Commissioners of 1868, but during the last ten years so many changes have taken place, that, although the laws have been duly reported and their effects clearly explained by the Deputy Master of the Mint in his annual reports, we cannot but think that it will be useful for future reference, that statements of the currency laws of the different European Powers, as they at present exist, should be gathered together in one volume.

We have the honour to be,

Your Lordships' most obedient servants,

GEORGE J. GOSCHEN.
HENRY H. GIBBS.
T. L. SECCOMBE.

27th November, 1878.

W. B. GURDON,
Secretary to the Commissioners.

APPENDIX III. TO THE WHOLE WORK.

List of Members of the Monetary Conference, at Paris, of 1878.

Austria-Hungary.

Count von Küfstein, Chargé d'Affaires of Austria-Hungary at Paris.

C. von Hengelmüller, First Secretary of the Austro-Hungarian Legation at Paris.

Belgium.

Eudore Pirmez, Ex-Minister of the Interior. Member of the Chamber of Representatives. Formerly Member of the Monetary Conference convoked by the Belgian Ministry of Finances of 1873.

Charles Auguste Garnier, Councillor of Legation of Belgium at Paris.

France.

Léon Say, Minister of Finance under the Presidency of M. Thiers and of Marshal McMahon. Member of the Institute. Senator. Author of the Report of the Budget Committee of 1875 on the payment of the German War-Fine. Translator of Goschen's "Theory of Foreign Exchanges."

Charles Jagerschmidt, Minister Plenipotentiary in the Department of Foreign Affairs.

Jean Louis André Ruau, Director of the Administration of Coins and Medals under the Empire and under the Republic.

Great Britain.

George J. Goschen, (Rt. Hon.) Member of Parliament. Late First Lord of the Admiralty, 1867. Late Chairman of the Select Committee of the House of Commons on the Depreciation of the Price of Silver. Author of "Theory of the Foreign Exchanges" (London, 1872).

Henry Hucks Gibbs, Ex-Governor, and a Director of the Bank of England.

Sir Thomas L. Seccombe, Financial Secretary of the Secretary of State for India in Council.

William Brampton Gurdon, an Officer in the Treasury Department. Secretary of the British Commission.

GREECE.

Nicholas P. Delyanni, Chargé d'Affaires of the Hellenic Government at Paris.

ITALY.

Count Charles Rusconi, formerly Minister of Foreign Affairs.

Commander Cesar Baralis, Director of the Mint of Milan. Formerly Member of the Conference of the Latin Union, 1876.

Chevalier Constantin Ressmann, First Secretary of the Italian Legation at Paris. Formerly Member of the Conferences of the Latin Union, 1874, 1875, and 1876.

THE NETHERLANDS.

A. Vrolik, Ex-Minister of Finance. Formerly Member of the International Conference of 1867. Author of a work on the "Re-coinage of the Silver Coins and the Demonetization of Gold." (Utrecht, 1853.) President of the Society of the Netherlands for the Promotion of Industry.

W. C. Mees, President of the Bank of the Netherlands. Formerly Member of the International Conference of 1867.

RUSSIA.

T. de Thoerner, Privy Councillor, Member of the Council of the Minister of Finance.

SWEDEN AND NORWAY.

[Sweden.]

C. Fr. Waern, Ex-Minister of Finance. President of the College of Commerce of Sweden.

[Norway.]

O. J. Broch, Dr. Juris, Ex-Minister of Marine and Postmaster-General. Formerly Member of the International Monetary Conference of 1867.

SWITZERLAND.

Charles Feer-Herzog, Member and Ex-President of the Federal Council. Formerly Commissioner for the Negotiation of the Monetary Treaty of 1865, and Member of the International Monetary Conference of 1867, and of the Conferences of the Latin Union. Author of Report on Coinage to the Assembly in 1859, &c. &c.

Charles Edouard Lardy, Dr. Juris, Councillor of the Swiss Legation at Paris. Formerly Member of the Conferences of the Latin Union.

THE UNITED STATES OF AMERICA.

Reuben E. Fenton, Ex-Senator, Ex-Governor of the State of New York.

William S. Groesbeck, Ex-Member of Congress. Formerly expert Member of the Congressional Monetary Commission of 1876, 1877.

General Francis A. Walker, Superintendent of the Census, Professor of Political Economy in Sheffield Scientific School in Yale College. Author of Statistical Atlas of the United States; "Wages," 1877; "Money," 1878, &c.

S. Dana Horton, Counsellor-at-Law. Author of "Silver and Gold, and their Relation to the Problem of Resumption," 1876; an Address to Congress against the Bland Bill, 1876-77, &c.

APPENDIX IV. TO THE WHOLE WORK

EXTRACT FROM RETURN EAST INDIA (SILVER).

22 March, 1877, pp. 17-20.

Applications made to the Government of India for measures in remedy of the effects of the fall in the gold price of silver and the action taken thereon.

On the 17th July, 1876, the Secretary to the Bengal Chamber of Commerce transmitted for the consideration of his Excellency the Governor-General in Council, the following two Resolutions adopted at a Special General Meeting of the Chamber held on Saturday the 15th July:—

RESOLUTIONS.

1st. "That the continued depreciation in the value of silver is a question most seriously affecting the political and financial interests of the country, and that, in view to its very great importance, the Committee be requested to address the Government, in order to obtain such information as they may be able to give in regard to the policy which they propose to pursue under the circumstances.

2nd. "That the Chamber approves of the suggestion of the Committee that it is expedient, in view of any ultimate measures that the Government may adopt, that clause 19 of Act XXIII. of 1870, making it obligatory on the mints in India to receive all silver tendered for coinage, and also section 11, clause 6, of Act III. of 1871, making it obligatory on the currency department to issue notes against silver bullion sent in, be temporarily suspended, at the discretion of Government; and that during such suspension, or till further notice, it be not lawful to import coined rupees from any foreign ports."

On the 22nd of July the Secretary to the same Chamber forwarded, for the consideration of the Governor-General in

Council, copy of the proceedings of the Chamber at the Special General Meeting aforesaid.

In this letter the Committee of the Chamber, while recognizing the difficulty of the position of the Government of India, remarked that the uncertainty that had hitherto shrouded the action of Government had been attended with serious consequences to merchants and bankers, and would so continue to attend their transactions so long as they were kept in ignorance of the course of action the Government proposed to take. The Committee, therefore, expressed a hope that his Excellency the Viceroy would, in the interests of commerce and of the country generally, accede to the prayer of the first resolution of the meeting, and make public the intentions of the Government.

As to the second resolution, the Committee pointed out that its object was not to prohibit coinage altogether (for that would be likely to bring about a collapse of credit), but to place all coinage in the hands of the Government, to be exercised at their discretion. It appeared to the Committee suicidal for the Secretary of State to aid the competition of bar-silver with rupees which he has to offer to those requiring money in India, and that to suspend the free conversion of silver bullion into legal-tender coin was not only wise and reasonable, but a necessary precaution for the Government of India to take for the preservation of their own currency, and to support the credit of their own loans, as well as to prevent the country from being swamped by silver sent in by foreign nations.

The Committee argued that the fact that the Government of India was compelled "to put their mint stamp to all silver" sent to India "had given an artificial and fictitious value to silver," which would cease as soon as the law was suspended. "Bar-silver would then gradually fall to its own intrinsic value, and the extent to which it was depreciated would be soon gauged, whereas, as things were, it was impossible to say how much its value was appreciated by our 'open coinage system.'"

When all Europe was closing its doors against the import of silver, with the avowed object of having as little of the metal as possible, should the depreciation be found permanent, it seemed most impolitic, the Committee thought, "to keep ours wide open for the reception of an unlimited quantity, costing the country through our coinage laws far more than its real intrinsic value." The Committee could see no valid reason against the immediate

adoption by the Government of the second resolution of the meeting, and considered that the objections brought against it were based either on a misconception of its real scope, or on abstract principles (ignored by other states); whereas the position of affairs was altogether exceptional, and ordinary rules did not apply. The Committee represented that the measures recommended in the resolution were not more stringent than (in fact scarcely so stringent as) the first financiers in Europe had found it necessary to adopt.

Lastly, the Committee pointed out that there was a third proposition put before the meeting, recommending the adoption of a gold standard, which, in deference to the feeling apparent among members present, was temporarily withdrawn; and they referred the Government to the debate at the meeting upon this proposal.

On the 31st July the Government of India published a resolution inviting attention to the immediately probable financial consequences of the fall in the gold value of silver, and insisting upon the necessity for the utmost economy of the public resources.

On the 1st August the secretary to the Calcutta Trades Association forwarded a memorial from the master, wardens, and committee of the association to his Excellency the Viceroy and Governor-General of India in Council.

In this document the memorialists represented that they had for many months past been suffering great loss from the low rate of exchange, which bid fair to paralyze trade. The memorialists joined earnestly with the Bengal Chamber of Commerce in urging on the Government the importance of declaring the policy it intended to pursue for the remedy of this evil, and prayed that the policy of a temporary suspension of the compulsory coinage of silver might receive the early consideration of Government.

The memorialists further expressed great satisfaction at the desire manifested by the Government to encourage local manufactures, and suggested a relaxation of the rules against the purchase of imported stores for the Government in India.

On the 22nd September, 1876, after considering the "Report by the Select Committee of the House of Commons on Depreciation of Silver, with the proceedings of the committee, ordered by the House of Commons to be printed on the 5th July, 1876,"

the Government of India published a resolution (No. 3044) upon the suggestions of the Bengal Chamber of Commerce and the Calcutta Trades Association, in which the following arguments and conclusions were stated :—

1. The recent change in the value of silver, measured in gold, may be due to changes in the value of one metal or the other, or of both. Before a fit remedy can be applied, it is essential to ascertain what exactly has happened, whether gold has risen or silver fallen, and how much the value of each metal has changed. It cannot be assumed, without decisive proof, that the divergence of the two metals is due wholly, or even chiefly, to the fall in the value of silver.

2. The prices of commodities and of the precious metals in London and in India witness to a considerable rise in the value of gold since March, 1873, and especially since December, 1875, and do not show any fall in the value of silver measured in commodities other than gold. Using these prices with all reserve, it must still be said that they afford evidence of this fact at least that a rise in the value of gold is one of the causes which has disturbed the equilibrium of the two metals.

3. The divergence of the value of the two metals seems due to three principal causes, of which the first appears to be the most efficient:

(1) The substitution of gold as the standard of value, in Germany, the Netherlands, and the Scandinavian Kingdoms, for silver, and in the countries of the Latin Convention for their customary alternative or compensatory standard of silver and gold.

(2) The increased production of silver in the United States of America.

(3) The decreased demand for silver in India.

4. The value of gold and silver, like that of any other commodity, depends on the one hand upon their supply, on the other upon the demand for them, which again depends upon the uses made of them. The long-continued equilibrium between the value of gold and that of silver is due to the two metals having shared, without material change of conditions, the only great field for the employment of either of them, *i.e.*, the supply of legal-tender metallic money. This equilibrium has been disturbed by the rapid supercession of silver by gold in Europe and America as the standard of value, and therefore

as the material of legal-tender metallic money. This supercession is calculated *a priori* to raise the value of gold no less than to lower the value of silver.

5. Excessive importance is not *per se* attached to the increased production of silver in the United States of America.

6. When India is in a normal condition, *i.e.*, when there is no abnormal demand for any of her staples, and she is not borrowing large sums from abroad, the amount of treasure required to settle her accounts with the world is not considerable, and of the treasure received a substantial proportion has always been gold. The large imports of treasure into India since 1850 are due to abnormal circumstances, as follows:—

(1) The Crimean war transferred to India large demands for produce theretofore obtained from Russia.

(2) The American civil war exaggerated temporarily the value of Indian cotton.

(3) Great sums of money have been borrowed for:

(*a*) The suppression of the mutiny.

(*b*) The construction of railroads (guaranteed and State) and canals.

(*c*) The Bengal famine.

It would be altogether misleading to treat the great imports of treasure in the last twenty-five years as normal, or to expect that they will or can continue. There is, therefore, no reason to expect that silver will be poured into India, although, of course, if it falls in value, a greater weight of it must come to represent the same value.

7. To suspend the free coinage of legal-tender metallic money, as advocated by the Bengal Chamber of Commerce, would give a monopoly value to the existing stock of rupees, and so reduce prices; whereas prices are not yet risen.

8. The value of no substance can serve as a standard measure of value, unless its use as the material of legal-tender currency is freely admitted. If, therefore, the free coinage of silver on fixed conditions were disallowed in India, silver would no longer be the standard of value of India, but another standard would be substituted, viz., the monopoly value of the existing stock of rupees, tempered by any additions made to it by the Government, or illicitly. If no such additions were made, the value of the rupee would gradually but surely rise, owing to the supply being cut off.

9. The stamp of a properly regulated mint, such as the Indian Mints, adds nothing, except the cost of manufacture and seigniorage, to the value of the metal on which it is impressed, but only certifies to its weight and purity.

10. A sound system of currency must be automatic or self-regulating. No civilized government can undertake to determine from time to time by how much the legal-tender currency should be increased or decreased, nor would it be justified in leaving the community without a fixed metallic standard of value even for a short time. It is a mistake to suppose that any European nation has rejected silver as a standard of value without substituting gold.

11. For all these reasons the Government of India rejected as inadmissible the proposal that the mints should be closed to the free coinage of silver for the public on fixed conditions, without at the same time opening them to the free coinage of gold as legal-tender money on fixed conditions.

12. The Government of India further concluded that there was nothing as yet demanding recourse to a measure so costly, and of which all the conditions were so uncertain, as the adoption of a gold standard. Thus the conclusions stated in the resolutions were :—

(1) That the divergence of the values of gold and silver is not necessarily attributed only to a diminution in the value of silver; that there are strong reasons for believing that gold may have increased, as well as that silver has decreased in value, and that this consideration must have an important bearing on the action of Government in reference to the present disorder.

(2) That although it is most desirable in the interests of trade that the standard of value in India should be the same as the standard of value in the chief countries with which India interchanges commodities, yet trade will not be permanently injured by a fall in the value of the rupee measured in gold, provided only that a fresh stable equilibrium of the precious metals be attained.

(3) That up to the present moment there is no sufficient ground for interfering with the standard of value.

The only other representations received upon the subject by the Government of India, have been complaints by various European officers in its service of the loss which they are suffering from the fall of the sterling value of the rupee, and prayers for assistance from the State.

These memorials are still under consideration, either by the Government of India or the Secretary of State.

FINANCIAL DEPARTMENT,
Calcutta, 9th February, 1877.

APPENDIX V. TO THE WHOLE WORK.

Report of the International Monetary Conference of 1867, held at Paris.

Saturday, July 6th, 1867.

The minutes of the seventh sitting having been adopted, on invitation from his Imperial Highness Prince Napoleon, M. de Parieu read the following report, which he had been instructed to prepare at the last sitting :—

Monseigneur and gentlemen. In the month of December last, when the French Government communicated the International Convention of the 23rd December, 1865, to the states here represented, and called their attention to the grand idea of monetary uniformity, those communications were at first received with a certain hesitation in some particulars. We have been, perhaps, too long accustomed to consign many generous ideas, sustained only by common sense, to the region of dreams, leaving them to be buried by prejudice and the blind considerations of the immutability of existing facts. We all know that every enterprise of general interest requires a spirit of unity in its aims and principal means of accomplishment.

There were many points in the monetary question so difficult that they caused divisions in the doctrines and the views of the past.

The idea of monetary uniformity long languished in the aspirations of poets and economists. The members of the Convention of the 23rd of December, 1865, encouraged by the success of their labours, warmly welcomed the practical idea of their extension; and on witnessing the success of the monetary union concluded between France, Belgium, Switzerland, and Italy, notwithstanding the false situation caused by the forced circulation of paper in one of the states, it was hard for the Government that had presided over the Conference of 1865 to refrain from asking the support of the world for a more extended monetary uniformity.

The Minister of Foreign Affairs has told you how much the Imperial Government was pleased at the eagerness of all the sovereign states of Europe, and of the Government at Washington, in sending delegates to the Conference proposed to them.

What was the precise object of your Conference, the nature of the questions it was to expound?

This, gentlemen, was the first object of your reflections, and upon it the success of your meeting depended. The Government of the Emperor might prepare the studies, but it could not fix the terms.

Monetary science is vast; many of its problems are debated by philosophers. Not one could be avoided; appeals were to be made to reality, the only solvent of such problems, and the one of particular importance in the subject now before us for consideration.

At the Trade Conference of 1864, in Frankfort, it was truly said, "monetary questions are more practical than all others."

The chief question for examination was the monetary standard.

On this subject you are aware that the world is divided between three different systems, the gold standard, the silver standard, and the double standard. It was indispensable to know which of these forms would furnish the most desirable and permanent basis for a monetary unity.

Governed by these considerations, you have agreed upon a series of questions as the basis of your labours, on the report of a committee of seven members, in the formation of which all the systems had been equitably represented.

This "questionnaire," to adopt a neologism of our administrative language, you unanimously adopted in the following terms:—

"1st. What is the best way to realize monetary unity—by the creation of an entirely new system, independent of existing systems, and in that case what would be the basis of that system; or, by the combination of present systems, taking into consideration the scientific advantages of certain types, and the number of nations that have already adopted them? In the latter case what monetary system ought to be chiefly considered, with the reserve of any improvement that might be made in it?

"2nd. Can identities or partial assimilations of monetary types be now constituted on a large scale by adopting the silver standard exclusively?

"3rd. On the other hand, can that result be reached by adopting a gold standard exclusively?

"4th. Could a similar result be attained by adopting the double standard and fixing in all the nations the relative value of gold and silver?

"5th. In case of a negative response to the preceding questions, is it possible or expedient to establish identity or partial assimilation of monetary types on a large scale with a silver standard, leaving each state the liberty of preserving its gold standard?

"6th. Is it possible and useful to establish identity or partial assimilation of monetary types on a gold basis, leaving each state the liberty of preserving its silver standard?

"7th. In case of affirming one of the two preceding questions, would the internationality of the coin adopted as a common standard be a sufficient assurance of its continued circulation in each state; or would it be necessary to stipulate a certain limit in the relation between the value of gold and silver, or to provide for the case in which international coins would run the risk of being expelled from circulation in any of the contracting states?

"8th. For the success of monetary unity is it necessary to constitute an identical unity of metallic composition everywhere with similarity of weight and denomination, and what basis is to be adopted; or is it enough to constitute common types of a common denominator as high as multiples of 5 francs for gold?

"9th. In case gold is adopted as an international metal, would it be useful for the types of that coin adopted by the Monetary Convention of the 23rd of December, 1865, to be completed by new types of 15 and 25 francs for the sake of unity and in the spirit of reciprocity? In this case, what should be their dimensions?

"10th. In case of affirmative to questions 3 or 6, would it be useful to regulate silver or copper coins by common obligations as to their composition or standard, their limit in payment, or the amount of their issue?

"11th. Would it be proper to fix certain means of control to insure the exact coinage of the common types of the international money?

"12th. Besides the immediate practical possibilities already discussed, would further discussions of general principles

desirable to spread over Europe the assimilations already effected or hereafter to be realized in respect of money?"

Although no idea of exclusion has entered into this "questionnaire," it is remarkable that its discussion during five sittings has suggested no serious addition; on the contrary, the 10th and 11th questions you have put off, although the principle of measures of control has been judged indispensable to the success of the monetary conventions, and the 12th question was left undecided.

The decisions of the Conference, as a whole, have been regulated by the dominant desire that any future monetary legislation shall result, as far as practicable, in diplomatic conventions between different states, to secure them against their own inconstancy. It is the evident interest of the states to secure the political advantages of the assimilation of their monetary types by the reciprocal circulation of their coins.

You did not think the reciprocal circulation in public banks, as resolved upon in 1865, completely answered the aspirations for a monetary uniformity; and, contrary to some reserves found in your minutes, you thought legal currency ought to be considered the last word in the tendencies to unity.

The nine first questions of your sittings are comprised in three formulas too abstract to be discussed, and I will reduce them to their simplest form of expression.

The whole world agreeing upon the benefits to be derived from monetary unity, but the difficulties and delays of effecting it being very apparent, the question is, how can it be effected? By the creation of a new monetary system established *a priori*, or by strict adhesion to existing systems, or simply by bending them, so to speak, and perfecting them hereafter?

Such was the triple problem proposed for your solution.

All of your states, except Belgium, have agreed not to propose a new system, lest such an undertaking might indefinitely delay the desired monetary assimilation.

A new system would have probably been founded upon the adoption of a decimal gold piece of a certain weight as a unity. You do not say that such a regularity could be obtained without difficulty, however beautiful it might be in theory, and without disturbing inveterate habits found in the attachment to the silver franc, almost a copy of the old French *livre tournois*.

Instead of seeking a system new in all its parts, you have preferred to adopt that of the Monetary Convention signed at

Paris on the 23rd of December, 1865, and which, being now adopted by Rome and Athens, seems by a fortunate coincidence to reunite the greater portion of the countries in which, at the close of ancient history, civilization by various modes had marked out the perimeter of its first empire.

The close union of this system, in its silver coins, with the metrical weights, whether the coins be considered as a distinct standard or as small change, and the 72,000,000 of people that use it and are attached to it, have made you regard it as a centre of assimilations around which the efforts of other nations might cluster with probabilities of success. But you did not look upon the system as fixed and perfect.

You rightly thought it capable of contraction or extension; that, though the unit was called a *franc* here, a *lira* there, and a *drachma* elsewhere, still a greater latitude was possible, particularly in regard to the unit value.

Most of the civilized nations have a monetary unity above a franc in value. The piastre, the thaler, the rouble, and the dollar, four pieces similar in origin and name, are nearly the quadruple or quintuple of the unit adopted in the Convention of 1865.

If the German and Dutch florins and the Spanish crowns differ less from the franc, on the other hand the wealthy British civilization places its monetary unit much higher in value.

Though the small Roman State has converted its *scudo*, similar to the piastre and dollar, into francs, we can hardly hope that larger and more populous states will immediately adopt all the monetary unities we have reported in the Convention of the 23rd of December, 1865. You have, therefore, thought proper to suggest a single unit as a common denominator, borrowed from the system of the Convention, around which the other unities should circulate.

If silver had been adopted for the unitary basis, all other systems might have been assimilated to the franc as a common denominator. But could the silver franc have been the pivot of equations, commensurabilities and coincidences desired in the monetary systems we would like to make universal for the benefit of exchange, trade, travel, financial, statistical, and scientific operations? To a certain extent, this was the chief question for your deliberations.

Here the laws that brought the precious metals into contact with the wealth of communities, and which have twice given a

monetary system to the universe, came into consideration. The rule of these laws was broken by the great historic catastrophe that separated ancient from modern civilization by an intermediate period of poverty and barbarism, but now strikingly reproduced after a lapse of nearly eighteen centuries.

In the time of Augustus, when gold had gained the ascendancy in money circulation, the Roman poet exclaimed:

> Æra dabant olim; melius nunc omen in auro est,
> Victaque concedit prisca moneta novæ.

From the middle ages to our day, the revolution that Ovid mentions incompletely, for he omits silver, has lain quiet, till it breaks out now with renewed strength and peculiar mineralogical, industrial, and commercial circumstances. No new invasion of barbarism can reverse its course in Europe, where silver first took the place of iron and copper, and where silver is now displaced by gold.

In most of the civilized nations of Europe and America the latter metal has become the principal instrument of circulation, because its portability and density particularly recommend it as the material for monetary unity. When the Convention of the 23rd September, 1865, closed, three of the associate states wished gold to be the choice of the Convention. Even in the last century a learned man of Germany, where so many grand ideas originate, declared that gold was destined to become the bond of the monetary systems of the universe.

By a most singular coincidence, when only two out of twenty states had gold for a standard, your Conference decided upon it for the standard, with silver as a transitory companion; and this was done because the double standard was necessary in certain states that were used to it, or where silver was the exclusive standard.

This valuable unanimity on a question so important, tending to perfect the monetary system of the Convention of 1865, will certainly influence public opinion, and certain men in the interior of states who may have retained any doubt on the question.

In thus adopting gold as a basis for the desired union, it was only in a common denominator above the franc that it was possible to realize the useful equations and frequent coincidences in the systems to be brought together; for, in gold coins, the very minute differences could not be distinguished with precision by the process of coinage, and already the mere distance

of 5 francs may be sometimes difficult to express sufficiently in the external form of the monetary discs.

The weight of 5 francs in gold of nine-tenths fineness, the standard which was unanimously approved, and also one of the conditions of the Convention of 1865, then appeared to be the proper denominator for the basis of the desired assimilation between the monetary systems of the twenty states represented.

You are aware that the coins of the union of 1865 are already grouped around this denominator.

For example, it was shown how near the type of 25 francs came to the pound sterling, the half-eagle of 5 dollars, and a piece adopted by the Vienna Conference to represent the value of 10 florins. This type of 25 francs, especially recommended in the Conference by the representatives of Austria and of the United States, has been unanimously accepted by the states that voted in the discussion of question nine, but on optional conditions.

Your opinions were more divided, in fact equally, in regard to the utility of recommending at present a gold piece of 15 francs, the approximate equation of 7 florins of the Netherlands and South Germany, and of 4 thalers of North Germany. But, without recommending this type, as you did that of 25 francs, you nevertheless agreed that, if circumstances rendered it proper, it would be open to no serious objection in itself, unless it might be in the delicacy of the process for coining it distinctly.

The eventual extension of the types of gold coins would necessitate *a fortiori*, for the states that desired it, correlative latitude in the forms of their silver coins, the internationality of which is of less importance.

Such, gentlemen, are the simple but instructive and plain bases that you have thought proper to accept as a sort of siege to the citadel of monetary diversity, the fall of which you would like to behold, or, at least, to gradually destroy its walls for the benefit of the daily increasing commerce and exchanges of every description among the different members of the human family.

The desire of not detaining you longer, gentlemen, after a session of three weeks, is my apology for the imperfection of this hastily-written digest, which is made in the hope that some decision may be reached by the middle of February, 1868, or at least some instructive steps taken by the Governments that have sent you to this Conference.

If the germs of our collective, enlightened and benevolent aspirations, freed from the unpleasant compensations that sometimes attend the most seductive reforms, in which we are all animated by the true spirit of civilization and modern progress, shall come to fructify around you, I hope, gentlemen, you will pleasurably recall the honourable memories of the part you have taken in these delicate scientific discussions, with the satisfaction of their joint pursuit, under a presidency so memorable, and with a facility and harmony as perfect as that of delegates from a single nation in its ordinary deliberations.

E. DE PARIEU,
Vice-President of the International Monetary Conference.

APPENDIX VI. TO THE WHOLE WORK.

"Allen's Indian Mail."—October 3rd, 1881.

THE REHABILITATION OF SILVER.

It is generally understood that negotiations are at present in progress between the Powers that were represented at the Paris Monetary Conference, in reference to a proposed international agreement for the rehabilitation of silver, drawn up and supported by the Italian Government. We believe that a very small further concession on the part of England—perfectly innocuous in itself, and that could in no sense be regarded as in the slightest degree "tampering with the currency"—would suffice to induce the Powers most interested in the question to come to such an arrangement as would ensure the desired rehabilitation. We would therefore call on all those who think, with us, that the interests both of England and of India are vitally concerned in the success of this movement, to exert themselves betimes—to spread abroad a knowledge of the facts and arguments that have convinced them, and to strengthen the hands of Government in the attempt which we trust it will make to meet the views of the silver countries. Valuable aid has been rendered to the good cause by Mr. A. Cotterell Tupp, of the Bengal Civil Service, the Accountant-General of Madras, who has published (P. S. King, London) a careful translation of the official *procès-verbaux* of the Paris Conference, together with admirable notes of his own, and a series of appendices which give all the facts and statistics of the subject. As Mr. Tupp well points out, every Anglo-Indian has a direct and personal interest in the matter, both in his private capacity and as a citizen of a commonwealth that must suffer disastrously if remedial measures are not soon adopted. Mr. Tupp's translation of the Paris *Proceedings*, with his notes and appendices, will furnish every student of the question with ample materials for studying the leading features of its present aspect; and we sincerely hope that many of our readers who

have not hitherto devoted their attention to the subject will now provide themselves with argumentative weapons out of this excellent armoury, and become worthy champions of the good cause.

The adjournment of the Monetary Conference to April next was a very wise and discreet measure. The delay has enabled the various governments concerned to reconsider the position by the light of the discussions of the Conference, and of the very important facts and conclusions there elicited; and, above all, it has given time for these facts and arguments to sink down into the minds of the people, to influence public opinion in the various states, and to pave the way for such mutual concessions as may lead to general agreement and a successful issue for the next meeting of the Conference. England, whose peculiar position in relation to this controversy has throughout been recognised, has never been asked to make any concessions in regard to the fundamental nature of her currency. All she has been asked to do by the bi-metallic states is to aid in the rehabilitation of silver only so far as might be practicable without either the smallest sacrifice of principle or the faintest suspicion of interfering in the most distant way with her standard. The law now permits the Bank of England to hold one-fifth of its reserve against notes in silver;* and the subsidiary silver coinage of England is legal tender up to £2. It is clear that there is no special virtue in the particular amount, £2; and all that the bi-metallic countries have asked England to do is to change the limit of silver legal-tender from £2 to £5—the Bank of England at the same time to hold the full amount of silver as reserve against notes that it is permitted to hold by law. The last-mentioned concession has already been made; subject to certain conditions the Bank of England has professed itself ready to hold one-fifth of its reserve in silver.† Nothing more is now wanted except that the limit of silver legal-tender should be raised to £5. The further advance indicated therein is a very slight one indeed, for the difference between a limit of £2 and one of £5 is obviously one of degree, not of kind or principle—nor is it possible to conceive of any interest suffering from the higher limit being now adopted. That England must suffer, hardly less than India,

* *See* Bank Charter Act of 1844, 7 & 8 Vict., cap. 32, sect. 2 & 3.—A. C. T.

† *See* Letter of the Bank of England in the Declaration of Great Britain in the 12th Sitting, p. 394.—A. C. T.

from a continued depreciation of silver and contraction of the currency, is admirably shown in the memorandum by Mr. R. B. Chapman, C.S.I., late Financial Secretary to the Government of India, which was submitted by him to the Conference ;* and that India will soon cease to absorb the silver which she has hitherto been able to take is proved beyond doubt in an interesting letter from the same authority to Professor Nasse, of Bonn, printed by Mr. Tupp among his appendices. Mr. Chapman says, in page 67 of his memorandum : "According to all available information, we have now to contemplate the probability of a progressive contraction of the supply of these metals (gold and silver). If so, it is particularly important just now to prevent the further disuse of the less valuable metal; and it would be just now especially disastrous if mankind should finally resolve to use gold alone for the storage of value and decree the destruction of the value of silver." Mr. Chapman goes on to show that, "in this matter at least, the interest of each country is identical with the interests of the whole world." In view of the undoubtedly imminent contraction of the currency which is here foreshadowed, it seems incredible that any considerable financial authority in England should persist in opposing the very trifling concession which would be so fruitful in remedying the threatened evils.

* This Memo. was not submitted by Mr. Chapman to the Conference: it was filed by M. Cernuschi, who had obtained it through Professor Nasse. —A. C. T.

APPENDIX VII. TO THE WHOLE WORK.

List of some of the chief modern Publications on Monetary Questions, principally in relation to Silver and Gold,* arranged chronologically according to the Date of Publication, from 1830 to 1881.

I. Official Publications.

A.—England.

1. Report of the Royal Commission on International Coinage. London. 1868. P.P.†
2. Report of the Commission appointed by the Government of India on Currency. 16th March, 1868.
3. Report of House of Commons on Depreciation of Silver. London. 1876.
4. Return. East India—Silver. P.P. 1877. No. 120.
5. Return. East India—Silver. P.P. 1877. No. 416.

B.—France.

6. Ministère des Finances. Rapport de la Commission Monétaire. 4to. Paris. 1858.
7. ——— Paris. 1867.
8. ——— Documents relatifs à la Question Monétaire. 4to. Paris. 1868.
9. Procès-Verbaux et Rapport de la Commission Monétaire de 1868. 2 vols., 4to. Paris. 1869.

* This List is extracted from Mr. S. Dana Horton's Bibliography of Money (Report of Monetary Conference of 1878, pp. 737-73) for the works up to 1878, and has been compiled by myself after that year. It does not profess to be in any way complete, but it contains the chief works in English and a few of those in French and German. Mr. Horton's List includes the titles of over 700 works, and the number has very greatly increased since 1878.—A. C. T.

† P.P.—Parliamentary Paper. (These are always obtainable from Mr. P. S. King, Canada Building, King Street, S.W.)

C.—Switzerland.

10. Rapport au Conseil Fédéral Suisse sur la Conférence Monétaire de 1874, par Feer-Herzog et Lardy. Berne. 1874.

D.—United States.

11. Report on the Relative Value of Gold and Silver. S. D. Ingham. Washington. 1830. (Reprinted in Report of Monetary Conference of 1878, p. 558.)
12. Report on Monetary Conference of 1867. By S. Ruggles. Washington, 1869.
13. Report on International Coinage. Sherman and Morgan. 1868.
14. Report upon the Precious Metals. W. P. Blake. Washington. 1869.
15. Report of the Monetary Commission. 2 vols. 1877-79.

II.—Private Publications.

1. W. J. R. S. Jacob. Historical enquiry into production and consumption of Precious Metals. 2 vols. London, 1831.
2. J. W. Bosanquet. Metallic, paper, and credit currency. 8vo. London, 1842.
3. Leon Faucher. Recherches sur l'or et l'argent. 8vo. Paris, 1843.
4. Roger Ruding. Annals of the Coinage of Great Britain and its dependencies. 3rd edition, 3 vols., 4to. London. 1845.
5. A. Alison. England in 1815 and 1845, or a sufficient and a contracted currency. 8vo. London, 1845.
6. James Wilson. Capital, Currency, and Banking. London, 1847.
7. Thomas Doubleday. A Financial, Monetary, and Statistical History of England. 2 vols. London, 1847.
8. J. L. Comstock. A History of the Precious Metals. Hartford, 1849.
9. Michel Chevalier. Cours d'économie politique fait au Collége de France. 3 vols. La Monnaie. Paris, 1850.

10. L. Faucher. De la production et de la démonétization en Holland et de la production en Russie, en Amérique et dans l'Australie. (Revue des Deux Mondes, Août, 1852.)

11. J. Ward. A history of gold as a commodity and as a measure of value. Its fluctuations both in ancient and modern times, with an estimate of the probable supplies from California and Australia. London, 1852.

12. A. Soetbeer. Andeutungen in Bezug auf die vermehrte Goldproduktion und ihren Einfluss. Hamburg, 1852.

13. W. Newmarch. The new supplies of gold; facts and statements relative to their actual amount, and their present and probable effects. 1853.

14. A. Soetbeer. Das Gold. Eine geschichtliche und volkswirthschaftliche Skizze. (Gegenwart, Bd. —, Lpz., 1856.)

15. Em. Levasseur. La question de l'or.—Les mines de Californie et d'Australie.—Les anciennes mines d'or et d'argent.—Leur production.—La distribution et l'emploi des métaux précieux.—L'influence des nouvelles mines d'or sur la société. 4 vols., 8vo. Paris, 1858.

16. Michel Chevalier. On the probable fall in the value of gold, &c. Translated from the French, with preface by R. Cobden. Manchester, 1859.

17. Overstone and others. Tracts and other publications on metallic and paper currency, edited by J. R. Mac Culloch, and privately printed for Lord Overstone's friends. 6 vols. 1857-59.

18. J. Malou. La question monétaire. Bruxelles, Oct. 10, 1859.

19. E. de Laveleye. La question de l'or en Belgique. Bruxelles, 1860.

20. H. Landrin. Traité de l'or. Monographie, histoire naturelle, exploration, statistique, &c. Paris, 1863.

21. A. Soetbeer. Goldwaehrung und deutsche Münzverhaeltnisse. (Vierteljahrschrift für Volkswirthschaft, &c., I. Jahrg., 3 u. 4. Bd., Berlin.) 1863.

22. W. S. Jevons. A serious fall in the value of gold ascertained, and its local effect set forth. With two diagrams. London, 1863.

23. Northcote Cooke. The Rise, Progress, and Present Condition of Banking in India. Calcutta, 1863.

24. W. Nassau Lees. The drain of silver to the East and the currency of India. London, 1864.
25. W. R. Mansfield. On the introduction of a gold currency into India. London, 1864.
26. Sir C. Trevelyan. Minute on a gold currency for India. 1864.
27. Henri Cernuschi. Mécanique de l'Echange. 8vo. 1865.
28. Michel Chevalier. Cours d'économie politique, etc. III. vol., 2 éd., refondue et considérablement augmentée. La Monnaie. Paris, 1866.
29. F. Hendriks. Decimal Coinage: a plan for its immediate extension in England, in connection with the international coinage of France and other countries. London, 1866.
30. James E. Thorold Rogers. A history of Agriculture and prices in England. A.D. 1259-1400. 2 vols. London, 1866.
31. L. Wolowski. De l'influence du change sur le marché monétaire. (Revue des Deux Mondes, Septembre 1868.)
32. ——— Les métaux précieux et la circulation fiduciaire. (Journ. des Econ., Octobre 1868.)
33. ——— Quelques notes sur la question monétaire. Publié comme manuscrit. Paris, 1868.
34. E. Seyd. Bullion and Foreign Exchanges theoretically and practically considered; followed by a defence of the double valuation, with special reference to the proposed system of universal coinage. 8vo. London, 1868.
35. ——— The practical proposals for an International Coinage, etc. (Economist, December, 1868.)
36. E. de Parieu. Situation de la question monétaire internationale. (Journal des Economistes, Avril 1868.)
37. ——— La question monétaire, et l'opportunité de sa solution. (Revue Contemporaine, 30 Juin 1868.)
38. Colonel Ballard. Remarks on a Gold Currency for India. Bombay, 1868.
39. Colonel J. T. Smith. Remarks on a Gold Currency for India and proposal of measures for the introduction of the British sovereign, also a suggestion regarding international coinage. London, 1868.
40. H. Contzen. Ueber die Geschichte des Geldes und über Goldwaehrung. Leipzig, 1868.

41. W. Stanley Jevons. On the condition of the Metallic Currency of the United Kingdom, with reference to the question of International Coinage. London, Nov. 1868. Journ. Statistical Society of London, Vol. XXXI., Part IV.

42. L. Wolowski. La question monétaire. 8vo. 1878.

43. ——— L'Or et l'Argent. 8vo, 1868; 2e. éd., 1870.

44. W. Bagehot. A practical plan for assimilating the English and American money, as a step towards a universal money. Reprinted from the Economist, with additions and a preface. London, 1869.

45. N. A. Nicholson. Observations on Coinage and our present Monetary System. 3rd ed. London, 1869.

46. C. Feer-Herzog. L'Unification Monétaire Internationale, ses conditions et ses perspectives. Paris et Genève, 1869.

47. Victor Bonnet. Etudes sur la monnaie. Paris, 1870.

48. E. de Parieu. Discours au Sénat impérial. (Discussion relative aux pétitions sur le système monétaire.) Séance du 25 Janvier 1870.

49. C. Feer-Herzog. La France et ses alliés monétaires en présence de l'unification universelle des monnaies. 8vo. Paris, 1870.

50. E. Seyd. Suggestions in reference to the metallic currency of the United States of America. London, 1871.

51. W. B. Partee (pseud. Nomistake.) The Science of Money. Phila., 1871.

52. Moritz Mohl. Zur Münzfrage. Tübingen, June, 1871.

53. ——— Ueber die Gefahren einer verfehlten Münzreform. Tübingen, October, 1871.

54. J. B. Schneider. Die deutsche Münzfrage. Ein Beitrag zur Loesung derselben. Giessen, February, 1871.

55. ——— Die Verhandlungen des volkswirthschaftlichen Congresses in Lübeck über die Geldfragen. Giessen, September, 1871.

56. ——— Das neue Münzgesetz. Bremen, November, 1871.

57. E. Seyd. Die Münz-, Waehrungs- und Bankfragen in Deutschland. Elberfeld, 1871.

58. E. de Parieu. De la situation des Etats confédérés monétairement, en vertu de la Convention du 23 Décembre 1865. (Revue Catholique de Louvain, Août 1872.)

59. E. de Parieu. La question monétaire internationale. (Journal des Economistes, 15 Décembre 1872.)
60. L. Bamberger. Zur deutschen Münzgesetzgebung. (Heft 161 der Sammlung gemeinverstaendlicher Vortraege.) Berlin, 1872.
61. ——— Welches Münzsystem für Deutschland zu befürworten ist. Berlin, 1872.
62. Josef Meyer. Das Geld. Eine national-oekonomische Studie. Wien, 1872.
63. W. Bagehot. Lombard Street. London and New York, 1873
64. J. E. Cairnes. Essays in Political Economy, theoretical and applied. London, 1873.
65. C. Feer-Herzog. Gold oder Silber? Erörterung einer Tagesfrage. Aarau, 1873.
66. ——— Le même en Français. Aarau, 1873.
67. Frere-Orban. La question monétaire, examen du système et des effets du double étalon. 8vo. Bruxelles, 1874.
68. W. Stanley Jevons. Money and the Mechanism of Exchange. London and New York, 1874.
69. Henri Cernuschi. Or et argent. 8vo. 1874.
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71. R. H. Patterson. The Economy of Capital, or Gold and Trade. London, 1875.
72. Victor Bonnet. La Dépréciation de l'argent et la question monétaire. 8vo. Paris, 1875.
73. Henri Cernuschi. La monnaie bimétallique, 1876.
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75. ——— Silver vindicated. 8vo. London, 1876.
76. Emile de Laveleye. La monnaie bimétallique. Bruxelles, 1876.
77. S. Dana Horton. Silver and Gold in their relation to the problem of resumption. With Appendix. Cincinnati, 1876. (The same, enlarged. 1877.)

78. Stephen Williamson. Depreciation in the value of Silver. 8vo. Liverpool, 1876.
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80. Samuel Smith, President of the Chamber of Commerce of Liverpool. Three letters on the Silver question. Liverpool, 1876.
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84. Ernest Seyd. The fall in the price of Silver, with special reference to India. 8vo. London, 1876.
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87. Ottomar Haupt. Gold, Silber, und Waehrung. 8vo. Wien, 1877.
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90. The Silver question. American Social Science Association. Papers by Prof. W. Stanley Jevons and Benj. F. Nourse. Boston, 1877.
91. Robert Noxon Tappan. The Historical Succession of Monetary Metallic Standards. New York, 1877.
92. J. C. Redish. The Silver Question, read before the Literary and Philosophical Society of Liverpool, April 30th, 1877.
93. W. T. Thornton, P. W. D. Secretary of the India Office. The Indian Side of the Silver Question. Four Letters to Sir Louis Mallet. London, 1867.
94. Walter Bagehot. On the Depreciation of Silver. 8vo. London, 1877.

95 CORRESPONDENCE between Henry Hucks Gibbs, Esq., and Sir Louis Mallet, on the Silver Question in its relation to India. London, 1877.

96. HENRY CERNUSCHI. Le Bland Bill. Paris, 1878.

97. ——— The same in English. London, 1878.

98. S. DANA HORTON. The Monetary Situation. An address before the American Social Science Association, with an Appendix containing the Prussian Anti-silver Theory: General restoration of Silver: A vindication of the practicability of bi-metallic union. Cincinatti, May 21, 1878.

99. PROF. ERWIN NASSE. Der Bimetallismus und die Waehrungsfrage in den Vereinigten Staaten von Amerika, in von Holtzendorff und Brentano's Jahrbuch der deutschen Gesetzgebung und Volkswirthschaft. München, 1878.

100. E. DE PARIEU. Discours au Sénat et interpellation adressée au Ministre des Finances. Mars, 1878.

101. LE COMTE CHARLES RUSCONI. Question monétaire. Paris, 1878.

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103. A HANDBOOK on Gold and Silver, by an Indian Official. London, 1878.

104. ROWLAND HAMILTON. Money and Value, &c., with an Appendix on the Depreciation of Silver and Indian Currency. London, 1878.

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106. JOHN SHERMAN, Secretary of the Treasury. Speeches and Reports on Financial Questions. Washington, 1879.

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115. Seyd, Ernest. The Decline of Prosperity: its insidious cause and obvious remedy. Folio. London.
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118. Rogers, J. E. Thorold. History of Prices in the Middle Ages. 8vo. London.
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121. Daniell, Claremont J., B.C.S., Gold in the East. 8vo. London.
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APPENDIX VIII. TO THE WHOLE WORK.

Short Abstract of the Proceedings of the Paris Monetary Conference at its adjourned Sittings in July, 1881.

The Monetary Conference which was adjourned on the 19th May, 1881, met again on the 30th June, and held five Sittings on the 30th June, and 2nd, 4th, 6th, and 8th of July. I regret that I have not been able, owing to my approaching departure for India, to make a condensed translation of the Proceedings of these five Sittings, as I have done of those of the first eight Sittings held in April and May; but much the greater part of the important discussions are contained in the earlier Sittings, and I append here a short abstract of what occurred at the last five Sittings, together with the speech of Mr. Thurman, the American Delegate (made on July 2nd), which seems of some importance as showing the American view of the question.

9th Sitting.—30th June.

At this Sitting merely formal business was transacted.

Mr. Dana Horton presented the documents which are given as Appendices to the 5th Sitting, p. 186, and to the 7th Sitting, p. 268, and some modifications in his address, which have been embodied in it at p. 282; and other members presented various documents, which have not been reprinted. No speeches were made.

10th Sitting.—2nd July.

After a short discussion as to the manner in which the questions still remaining before the Conference should be disposed of, *Mr. Thurman* read the following address:—

I propose to submit some brief observations on some of the points of the "Questionnaire," but they will be little more than an expression of my individual opinions with little or no argument.

I do not see how it is possible to give any but an affirmative answer to the first question*; unless, indeed, the use of silver as money is to be wholly discontinued; and no one, here or elsewhere, advocates that. Although, according to the logic of gold mono-metallists, it might seem that if an exclusive gold currency is the best for one country, it must be for all countries, yet I do not understand that any one proposes to inaugurate measures for the universal demonetization of silver.

Silver then, in a greater or less degree, is still to be used as money by commercial nations everywhere, and this being admitted, can argument be required to prove that great fluctuations in its relative value must necessarily be injurious to commerce and to general prosperity? And as gold is also to be used, is it not equally obvious that the relative value of the two metals should be as stable as possible? The effect of an unstable and greatly fluctuating currency upon debtors and creditors, at one time to the injury of the former and at another to the injury of the latter; the discouragement to production, the uncertainty of employment and the difficulties of exchange, to say nothing more, are sufficient to demonstrate how great are the calamities that such a currency is sure to inflict, and how imperative is the duty of Government to prevent, or at least to mitigate them.

As regards the second question, it seems to me very clear that the fluctuations in the value of silver were caused by unfriendly legislation and not by increased production. According to the table presented by Dr. Broch (*see* page 39), the mean price of silver in the year 1845, in the London Market, was 15·93 of silver for 1 of gold, and the mean price or ratio in 1873, twenty-nine years later, was precisely the same.

During this period there were some fluctuations, not very great, however, and taking the mean of the whole twenty-nine years, we have the striking fact that the relation was 15·54 to 1 —being almost exactly the legal relation (15½ to 1), that has existed in France for about seventy-eight years, and that now exists in the States of the Latin Union.

But during the twenty-nine years above mentioned the production of gold was enormous, and was, in value, at least double that of silver; so that, if either metal should have lost value as compared with the other, it would seem that it should have been

* *See* the List of Questions drawn up by M. Vrolik's Committee, p. 12. —A. C. T.

gold and not silver. Yet their relative value was precisely the same in 1873 that it was in 1845.

But in 1873 began, both in America and Europe, that course of legislation to which, in my judgment, are chiefly to be attributed the monetary troubles which this Conference has met to consider. In the United States, by Acts of Congress of 1873 and 1874, silver was demonetized; and although the error, after a lapse of several years, was corrected, yet the coinage of full legal-tender silver is greatly restricted.

In Europe: Germany and the Scandinavian States have become gold mono-metallic, while the States of the Latin Union have almost wholly suspended the coinage of the white metal. That metal being thus, by force of legislation, condemned and dishonoured, its fall in value was inevitable, and the only matter of surprise to me is that it is no greater than it is. Look at the facts. In 1873 the relation between silver and gold was 15·93 to 1. Then commenced the legislation of which I have spoken, and its effect was instantly seen. In 1874 the relation was 16·16; in 1875, 16·63; in 1876, 17·80; in 1877, 17·19; in 1878, 17·96; in 1879, 18·39; and in 1880, 18·06 to 1. Was ever a result more directly traceable to its cause?

As regards the third question, it might, perhaps, be said by a person disposed to be hypercritical (which I am not), that there is some ambiguity in the expression "a group of states" in this question.

The nations of Asia form a great group of states. So do those of North and South America. And certainly all, or even the principal, states of Europe, including Great Britain, form a very grand group. But I cannot suppose that the framers of the "Questionnaire" wish us to discuss the question whether a Bi-Metallic Union in Asia alone, or in America alone, would have the effect suggested by the question. The inquiry is doubtless a practical one and is to be construed in view of the circumstances that brought about the holding of this Conference, and, especially, with reference to the states here represented. The question, then, may be stated in this wise: "Were a great group of the states of Europe and America to form and maintain a Bi-Metallic Union, such as that supposed in the question, would the result be a great stability in the relative value of coined gold and silver?"

In my humble judgment that would certainly be the result of such an union, provided Great Britain and Germany were parties to it. Without their concurrence, or at least that of one of them, I fear that the day is not as near as I could wish when it will be possible to form such an union and to make it effective. So long as they stand opposed to bi-metallism, other states will be opposed to it or occupy an expectant or neutral attitude; and the pronounced bi-metallic states will not perhaps be sufficient to form that grand group upon whose formation and maintenance success is said to depend. And yet I believe that bi-metallism will ultimately prevail; for I cannot see how the vast structure of credit—the most distinguishing feature of modern industry and commerce—can be supported on a gold basis alone. With both metals its base has often been found too narrow; with but one it would be, to my apprehension, positively unsafe.

I wish now to make some brief remarks upon the concessions, as they have been called, that, it is suggested, the Governments of Germany* and India* are willing to make.

At the outset I wish to state distinctly that what I may say in reference to these several propositions will be nothing more than an expression of my own opinions. I shall not presume to speak authoritatively for my Government, although I hope and believe that what I shall say will reflect its sentiments.

A majority of the people of the United States are, undoubtedly, at this time, bi-metallists, and wish to see bi-metallism established throughout the commercial world. In advocating this policy they are not actuated simply by a desire to obtain a better market for their silver, as has been most injuriously said, not in this Conference certainly, but elsewhere.† On the contrary, their motives are of the highest and noblest character, as my colleagues have eloquently and convincingly demonstrated, and are as free from the taint of mere selfishness as it is possible for international transactions to be.

But while the American people believe that the existing money systems of the world greatly need reformation, that the present status is injurious to commerce and general prosperity, and is a hindrance to that friendly intercourse and harmony

* *See* pp. 15 and 236.—A. C. T.

† It was really said also in the Conference by M. Pirmez (see p. 74), but not so nakedly as elsewhere.—A. C. T.

among states that are so much promoted by a mutually beneficial trade; and while they believe that one of the most effective, if not the most effective, reforms that could be made would be the adoption of bi-metallism; yet they are too well-informed not to know how slow is the progress that truth often makes, and that it is seldom the part of wisdom to reject what is attainable and reasonable at the time because it falls short of something better and more desirable. I think, therefore, that in view of the difficulties of the situation and of the conflicting opinions of states and statesmen, my Government would not, probably, feel it to be its duty to reject any and every proposition that comes short of perfect bi-metallism.

Relying on the goodness of its cause and believing in its ultimate triumph, it could afford to march step by step instead of insisting upon reaching the goal at a single bound. But if we be invited to halt at a half-way house and tarry in it for a season, we must, before we accept the invitation, be well assured that the tenement is not a dangerous one for us to occupy. Now here, as it seems to me, lies the chief obstacle to the acceptance of the propositions in question. Each of the propositions, as I understand it, requires that the United States and France, and perhaps, the chief States of the Latin Union, shall open their mints, and keep them open, for the free and unlimited coinage of silver into money having full legal-tender quality. It is not for me to say what France, or the States of the Latin Union or other States of Europe here represented, may think of such propositions. Their Delegates will answer for them, if they see fit to do so—I can speak in reference to my own Government alone. Would such an agreement as that proposed be acceptable to the United States? I am bound, speaking frankly, to say that I think it would not. There is a great and vital difference between a grand Bi-metallic Union that, by fixing and maintaining a stable relation between gold and silver, would stop, or at least powerfully tend to stop, the efforts so often made to drain a state at one time of one of the metals and at another time of the other; and a little and half-way union that might leave each state liable to a recurrence of such drains. Now, if I understand the views of my Government and of the American people, they do not desire an alternative standard—gold to-day and silver to-morrow—nor a single standard, whether of gold or silver, and certainly not the single

silver standard. Their stock of silver money is less in proportion to the wealth and population of the country, than that of most commercial nations, while, on the other hand, their stock of gold is very large, is steadily increasing day by day, and is likely, unless prevented by some blunder, to continue to increase. Under such circumstances it is but natural that the Government should hesitate to enter into an agreement, the effect of which might possibly be to lessen the amount of our gold. It would cheerfully become a party to a great Bi-metallic Union, which, if formed, would of course open its mints to the free coinage of silver; but I must be permitted to doubt whether, without such an union in existence, it will, by convention, surrender its power over its own coinage.

In saying this, I would not be understood as underrating the importance of the German and English propositions. I consider them as steps in the right direction and entitled to most respectful consideration; but, in my judgment, they fall far short of what the exigency requires, and I see no probability of their acceptance.

M. Schraut then made a short speech on the part of Germany. He said that he considered that the fear of a drain of gold had been somewhat exaggerated, and that the decrease in the value of silver was due more to the stoppage of its coinage by the Latin Union than to the sales of silver by Germany. *M. Cernuschi* replied that neither the increase in the Indian bills (Secretary of State's) nor the augmented production of silver were the cause of the stoppage of silver coinage by the Latin Union, and that this was due entirely to the action of Germany in demonetizing silver. Germany was therefore alone responsible for the fall in silver, and ought to make some further concessions. *Baron Thielmann* (Germany) replied that he could make none.

The German and English replies to M. Cernuschi's questions were appended to this Sitting.

11th Sitting.—4th July.

M. Dumas (France) addressed the meeting, and said that fifty years ago it had been proposed to reduce the value of the gold 20-franc piece to prevent its exportation, and this would have been really silver mono-metallism, as gold would have lost its legal-tender power. M. Michel Chevalier had then proposed

to demonetize gold, and make silver the standard; but, as every one knew, he had of late years proposed just the reverse. What then occurred had persuaded him that the simultaneous employment of both gold and silver as standards was absolutely necessary, and he had always retained that opinion. The value of silver to gold had been from 1 to 10 to 1 to 13 up to the discovery of America; it had then fallen to 1 to 14 and 1 to 16, but it had never varied since that. The rate of 1 to 15½ had prevailed in the reigns of Louis XIV. and Louis XVI., as well as in the first seventy years of this century. There would be no difficulty whatever in re-establishing this rate. Although the relative value of gold and silver might vary very slowly and gradually, the variation would never be appreciable in any one year, and could be corrected at long intervals. It was not true that civilized nations preferred gold and barbarous nations silver; in France itself gold was preferred in some provinces and silver in others.

M. Schraut (Germany) admitted that the free coinage of silver and gold, in a fixed proportion, in several states, would raise the price of silver to its former rate, and that future oscillations in price would be insignificant. The first step would be for all states with a paper money currency to withdraw notes of less than 20 francs and replace them with silver. The second would be to abolish the small gold coins and replace them also with silver. The demand for silver would then be increased and the price would remain steady.

M. Cernuschi (France) replied that small measures were useless. England possessed but few gold pieces of less than 25 francs value. It was of no importance that silver should rise to 59 pence, if we were still unable to coin it into money and use it for payments. The rise would rather be to be regretted as it would prevent England from accepting bi-metallism.

M. Lardy (Swiss) said that enquiries into the use of the precious metals in commerce must now be left to the Governments as the work of the Conference was nearly finished. In some countries the commercial demand for one or other metal might affect their relative value.

M. Pierson (Holland) read the following declaration of Holland:—

(1) The fall in silver and its great oscillations in value are a considerable evil.

(2) The simultaneous adoption of the double standard by all the great States of Europe and America would be the true remedy for this evil.

(3) It would re-establish the free coinage of silver as soon as the double standard was re-established on a large scale.

Mr. Howe left the Conference for America.

12th Sitting.—6th July.

M. Seismit Doda read the following declaration of Italy. The Italian Government would enter into a league to adopt the unlimited coinage of silver—

(1) If the German Government would agree to suspend its sales of silver for five years and to substitute silver coins for its gold five-mark pieces and its bank notes.

(2) If the English Government agree to increase the legal-tender power of its crowns.

Italy would then agree with the Latin Union and America to recommence the limited coinage of silver for whatever period Germany had agreed to suspend her silver sales.

Mr. Fremantle read the following Declaration of England :— The United States' Minister had thought it possible to arrive at an understanding on the Monetary Question if, *inter alia*, the Bank of England would engage to use the power given to it by the Bank Charter Act of 1844 (7 & 8 Vic., cap. 32, secs. 2 & 3). A reply from the Bank had been received, and the Bank declared itself ready to use the power if the mints of other nations returned to the rules which secured the exchange of gold into silver and silver into gold at legal rates. The Bank observed that "it would, agreeably to the Act of 1844, be always open to the purchase of silver under the conditions above described."

Count Rusconi then addressed the meeting. He said it was not silver bullion which had to be rehabilitated, but the silver which was to be coined. Money could not, in the proper sense, be composed of a metal which had not unlimited coinage and legal-tender power. He wished the Conference to answer these questions :—

(1) Is there enough gold to conduct all the business of the world with ?

(2) If a second kind of money is necessary, can it not be of silver?

(3) Are the conditions which are indispensable to constitute money, unlimited coinage and unlimited legal tender-power.

(4) Does money feel the effects of the production of the mines?

(5) Does the consideration of the price of the metal of which it is composed count for nothing in the question of money?

(6) If the suspension of the sales of silver or a greater use of the metal raised the price of it, would this be sufficient to cause the mints to resume the coinage of silver?

M. Pierson (Holland) said the Bank of England had agreed to hold one-fifth of its reserve in silver only if a Bi-metallic League including the great states were constituted. The Bank was right, it could not hold silver till the value of silver was constant, and that would only be when some great states adopted bi-metallism. But the Bank and the English Government had shown that they adopted the principles of bi-metallism, for they admitted that a great league *could* fix the price of silver; otherwise they would not have agreed to take it, if such a league were formed. The mono-metallists deny that any league—any law could fix the price of silver. The English Government and Bank also admit that even a partial league would have this effect, while even some bi-metallists doubt this. England ought, therefore, to adopt bi-metallism, for it has admitted its truth. Holland, France, Italy, and the United States would at once follow, and the league would be formed; Germany would then join it, and its success would be certain. If, on the other hand, England refused, all the states would adopt a gold standard, silver in India would be almost worthless, and a commercial chaos would ensue. England has led the way in free trade, and should now lead the way in monetary reform.

The President said that at the next Sitting they must decide on the suspension or final ending of the Conference.

To this Sitting was appended the "Draft Resolution for an International Convention," by M. H. Cernuschi, which is given in full at p. 263.

13th and last Sitting.— 8th July, 1881.

Mr. Evarts read the following declaration of the United States and of France :—

(1) The depreciation in and fluctuations of the value of silver are injurious to commerce and prosperity, and the maintenance of a fixed relation of value between silver and gold would produce most important benefits in the commerce of the world.

(2) A convention entered into by an important group of states to open their mints to unlimited coinage of both silver and gold at a fixed proportion of weight, and with full legal-tender faculty to the money thus issued, would maintain a stability in the relative value of the two metals.

(3) Any ratio now or lately in use by any commercial nation, if adopted by such important group of states, could be maintained, but the adoption of the ratio of 15½ to 1 would accomplish the principal object with less disturbance in the monetary systems to be affected by it than any other.

(4) A convention which should include England, France, Germany, and the United States, with the concurrence of other states, which this combination would ensure, would be adequate to produce and maintain throughout the commercial world the relation between the two metals that such convention should adopt.

M. Forssell (Sweden) opposed the proposal for an adjournment as beyond the power of the Conference without a previous sanction of their Governments.

Baron Thielmann (Germany) considered that the American and French Delegates should first state their reasons for proposing an adjournment.

The President then read the following draft resolution :—

"The Conference considering (1) That, during the two Sessions it has heard the addresses, declarations, and observations of the Delegates of the countries mentioned.* (2) That the declarations made by many of the Delegates have been made in the name of their Governments. (3) That all the declarations admit

* See p. ix. List of Delegates.—A. C. T.

the utility of taking different measures in concert, reserving entire liberty of action to the different Governments. (4) That it is thought that an understanding may be come to between the States which have taken part in the Conference, but that it is better to suspend the meetings of the Delegates. (5) That the monetary situation may in some States cause the intervention of public authority, and that it is well, at present, to leave room for diplomatic negotiations,

Adjourns to Wednesday the 12th April, 1882.

M. Denormandie (France) supported the motion for adjournment, and pointed out that if they now dissolved the Conference without any result, all their labour would have been thrown away; whereas, if they adjourned till next year, the different Governments would have time to exchange views, and time might bring about some possibility of the solution of the great problem on which they had been engaged.

M. Pirmez (Belgium), *Lord Reay* (India), and *Count Kuffstein* (Austria) supported the motion for adjournment.

M. Forssell (Sweden) said, that in consequence of the opinions which had been expressed, he would withdraw his opposition to the adjournment.

The motion for adjournment was then carried unanimously by the votes of all the members present.

Answers furnished to the Indian Delegates in Reply to the Questions put by M. Cernuschi* at the 6th Meeting of the Conference.†

Questions.	A	B	C	D
XVIII.	Quite true.	Very large amounts of silver arrived from the West Indies and Pacific, which were all taken for India, together with considerable sums in bars and 5-franc pieces from the Continent.	When the balance of trade between this country and India necessitated an export of silver to India, and the price of metal here allowed of the profitable import of 5-franc pieces into England, those coins naturally flowed to this country from France as an arbitrage operation.	When silver was required by English merchants at short notice for transmission to the Eastward, if the requisite quantity was not in London, they would in all probability apply to the Continent for it as the nearest market after London.
XIX.	No doubt.	Very large amounts of silver were received from Belgium and Holland, as well as France, and payments were made in gold, as well as in bills and goods.	The capability of the Continental mono-metallic States of supplying silver to England, was not put to the test to any appreciable extent, because France had a double standard and supplied the demand. Had the price of silver risen to a point at which it could have been profitably imported from those States, it would have found its way here, and been paid for by exports either of securities or commodities.	The silver mono-metallic States of the Continent would naturally be influenced by the relative prices of silver and gold at the time. If giving silver for gold would yield a profit, they would probably supply it to some extent, as the transaction would be advantageous, although gold had not a forced circulation. [The form in which this question is put, commencing, "Is it not the fact," is ill adapted to the nature of the enquiries in questions XVIII., XIX., XX.]

* *See* p. 211, Questions relating to India, by M. Cernuschi.—A. C. T.

† Sir Louis Mallet stated that these questions could not be answered officially by the Indian Government, but had been submitted to competent persons in London who were not connected with the Government.—A. C. T.

XX.	Silver was generally obtained from France, and no doubt the effect of the alteration in the rate of exchange caused by a demand for silver was to give France rather more than 1 kilo. of gold for $15\frac{1}{2}$ of silver. The converse also holds good.	Yes, chiefly. The price, of course, varied with the exchange of France on England. Not always to France. Large amounts were sold to Belgium and Germany before the latter country declared for a gold currency.	The first portion of the question is answered under No. XVIII. As regards the second clause relating to silver arriving in London, that metal being a commodity, would be offered to the best buyer, whether India or any other country.	When the price of silver in London was above the rate of 1 to $15\frac{1}{2}$, silver would flow to London from bi-metallic countries. If silver had arrived in London in excess of the demand for it, and the price was below that rate, English merchants requiring gold would have to give more than $15\frac{1}{2}$ of silver for 1 of gold.
XXI.	Quite correct.	Yes. Yes. Yes.	The seigniorage and other mint charges on silver at Bombay and Calcutta amount to about 22 per mille. The freight for bullion and specie between London and Calcutta or Bombay was at one time 2 per cent., but it was reduced to 1 per cent. before the opening of the Suez Canal. The loss of interest was not lessened by the Canal route being opened, because bullion and specie had previously been transported by rail from Alexandria to Suez and re-shipped thence.	The cost of mintage of silver at Calcutta and Bombay is 2 per cent. The freight on bullion between London and Calcutta or Bombay has varied from time to time, and special arrangements have been made by the Government in regard to their shipments. The longer the voyage, the greater must have been the loss of interest.
XXII.	If India had been gold mono-metallic (France remaining bi-metallic), of course if gold were wanted as a remittance to India, and were obtained from France by giving more silver than $15\frac{1}{2}$ to 1, it (the gold) would cost in India something like $5\frac{1}{2}$ per cent. over par value; and if	There would have been a large oscillation, but I can scarcely think it would have been so large as 10 to 12 per cent.	If, with a mono-metallic gold currency in India, the English gold coins were not made a legal tender there, and if the mint charges were, under that supposition, as heavy as they now are for a silver currency, and, moreover, if the cost of the transmission of the precious metals	Had India been gold mono-metallic, like England, the variation in the exchange would have been mainly dependent on the cost of transport, insurance, loss of interest, mintage, and brokerage, and the limit of oscillation would rarely, I apprehend, have exceeded from 5 to 6 per

Questions.	A	B	C	D
	sent from India, after deduction of freight charges and insurance, would have realised only about 96½ to 100.		to India had never been reduced, the range of oscillation in the exchange might be as great as is stated in the question.	cent. below par and 5 or 6 per cent. above.
XXIII.	It seems to me that under no circumstances could the extreme oscillations of value have been more than the total of freight and expenses both ways; but within these bounds there must always be a greater or less oscillation.	An Indian Bank would be best able to give the required information.	The supposition under Q. XXII. is that of India having a gold mono-metallic currency, but this question seems to refer to the existing state of things, and, if so, is not applicable.	Oscillations of exchange could not have been avoided.
XXIV.	Of course, because the quotation in London is in gold.	Yes, with regard to India; but there were times previous to 1874 when the Continent were buyers of silver at higher rates than Indian Banks could give.	On the same supposition of India having a gold currency, the price of silver would not in that case have been affected by the oscillations in the gold exchange.	The oscillations of exchange affected the quotation of silver in London; but it must not be assumed from this answer that those oscillations had a very potent influence in that respect, the price of silver being also greatly dependent on the supply and demand, and on the quantity continuously required for transmission to the East.
XXV.	From 1865 to 1872 the price of silver was extremely steady at an average of 60½*d.*; in 1873, Germany demonetized, the average declined to 59¼*d.* and in the following year to 58¼*d.*; in 1876 the lowest price of silver was reached, 46¾*d.*	The average price of silver has been more irregular since 1874.	The greatest oscillations prior to the opening of the Canal occurred during the American civil war, which caused an abnormal export of cotton from India. Apart from that particular cause and period, the oscillations in the Exchange and the quotations	Questions XXV. and XXVI. can be answered most satisfactorily by statements prepared from the best information obtainable.

			of silver up to the year 1874, were similar both before and after the opening of the Suez Canal.	
XXVI.	From 1865 till 1873 the average value of the rupee was about 1/10$\frac{3}{4}$; in 1874 about 1/10$\frac{1}{4}$; afterwards a considerable decline, and in 1878 the average was about 1/8.	Cannot say as regards the rupee. This price of 60$\frac{13}{16}$*d.* would be about the average of 20 years prior to 1874.	Excluding the period of inflation referred to in the previous answer, the average quotations of exchange prior to 1874 was probably 1 penny per rupee higher than that stated in the question, and the average price of silver was, probably, about 60$\frac{1}{2}$*d.*, or 61*d.*	
XXVII.	This question is rather vague; but, so far as I understand, it must be answered in the affirmative.	Neither gold nor silver are interest-bearing securities; consequently, whenever there are arrivals of either metal they are at once sold for cash, either for remittance to the Continent, or, if gold be not required on the Continent, it is then sold to the bank. The quotations, of course, varied from day to day, according to the Exchanges on India or the Continent.	Silver being a mere commodity in England, no interest could accrue upon it if held; and the price, like that of all other commodities, is regulated by the supply and demand.	The meaning of this question appears to me to be obscure. Silver, like any article of merchandize, could not remain unused in England for a time, without *interest* on its value for that time being lost. The holder looks to obtaining compensation and profit from improvement in price.
XXVIII.	No doubt this was so.	Only Indian banks, who jealously kept such information to themselves, could answer this question.	The balance of trade has been generally in favour of India, and it has only been on very rare occasions that banks in India could sell their bills on London profitably against shipments of silver to Europe.	When the price of silver has been much below the French ratio of 1 to 15$\frac{1}{2}$, Calcutta and Bombay bankers have been able, when selling bills on London, to require more rupees than were represented in the French ratio.

Questions.	A	B	C	D
XXIX.	Of course the price of Bills was limited by the value of silver in Paris (15½ to 1) minus freight, insurance, and interest on shipments of silver.	Refer to an Indian bank.	Exchange in India could certainly not fall below the point at which rupees could be converted into silver bullion, and exported thence to silver-using countries in Europe.	So long as the receipt and coinage of silver in Paris in the ratio of 1 to 15½ was unrestricted, the oscillations in the exchange with India were to some extent limited.
XXX.	Yes.	Yes. But there were, and are, often orders for the Bazaars in India, when silver is at a premium, which cause orders for the metal here, quite irrespective of Exchange operations.	When India was a buyer of silver at a price in gold higher than the ratio of 15½ to 1; the Council bills would be sold at a corresponding equivalent rate.	The "disappearance" of French bi-metallism has tended greatly to depreciate the value of silver, and, as a consequence, the exchangable value of the rupee.
XXXI.	Obviously.	Cannot say.	Yes.	
XXXII.		If it has been, which I am not prepared to admit, the fact of France having of late years been almost out of the market as a seller of silver, must have caused a better demand for the Council drafts, which have therefore obtained a better price.	It is a disadvantage to the Indian Treasury with respect to the amount of the payments which the Treasury has to make in gold; but whether there has not been a corresponding gain in the revenues payable in silver is a question open to discussion.	The change in French bimetallism has been very injurious to the Indian Treasury.
XXXIII.		The Government only can answer this question.	To be answered from the Government records.	The rupee not having a fixed value in gold, it is not practicable to state precisely the loss on Exchange in the years in question. An approximate estimate only could be furnished.
XXXIV.		The India Council can answer this from their own estimates.	*Idem.*	

APPENDIX IX. TO THE WHOLE WORK.

REPORT OF THE SPECIAL COMMITTEE ON THE STATE OF TRADE IN CONNECTION WITH THE DISCREDITING OF SILVER AS MONEY, APPOINTED BY THE LIVERPOOL CHAMBER OF COMMERCE ON THE 24TH FEBRUARY, 1879.

To the President and Council of The Incorporated Chamber of Commerce of Liverpool.

Gentlemen,

Your Special Committee, appointed by the Council on the 24th February last, to consider if any, and what, remedial measures might be taken for the amelioration of the present mercantile and manufacturing distress, in so far as it may be caused and intensified by the discrediting of silver as money, have now to submit the following Report.

In the discharge of the duties devolving upon them, your Committee have throughout been impressed by a deep sense of the important nature of the investigations confided to them.

In presence of the extremely depressed state of trade, and of the long continuance of the depression, the Committee considered it their first duty to arrive at the truth regarding the adverse influence which the recent demonetization of silver in Europe is alleged to be exercising over trade and commerce throughout the world.

They, therefore, determined to prosecute their enquiries under separate branches, and they took as the first branch of enquiry—

1.—THE EFFECTS OF THE DISCREDITING OF SILVER ON OUR COMMERCE AND INDUSTRIES.

After full deliberation and discussion, the following conclusions were unanimously arrived at:—

1st. That the recent shrinkage in the value of the world's silver money, measured in gold, is very large, and there is every reason to fear that, with the prospect before us, the depreciation will continue to increase.

2nd. That there has besides been much diminution in the value of investments of English capital in the public funds, railways, &c. of silver-using countries.

3rd. That we are now compelled to look upon the silver of the world as in large measure cut off from its previous sphere of usefulness as one of the two agents for the liquidation of international indebtedness.

4th. That the serious diminution of the world's money, caused by the disuse of silver, may, in the future, lead to frequent panics, through the inadequate supply of gold for the world's wants.

5th. That the uncertainty regarding the course of exchanges, in the future, largely prevents the further investment of English capital in the public funds of silver-using countries, or in railways, industrial enterprises, and commercial credits.

6th. That the friction and harassment now attending business with silver-using countries, as India, China, Java, Austria, Chili, Mexico and others, naturally lead merchants to curtail their operations in the export of our manufactured goods, and to restrict the employment of English capital in such business.

7th. That this is a most serious question for India, which many believe to be so impoverished as not to be able to bear increased taxation.

8th. That the depreciation of silver seriously affects the power of silver-using states to purchase English manufactures, and leads to increased taxation, thus further curtailing the trade which has hitherto been carried on in English commodities.

Having arrived at conclusions so serious, bearing so directly on the present mercantile distress, your Committee next resolved to take into consideration—

II. The Main Facts regarding the Production of the Two Precious Metals during the present Century.

And they arrived at the following conclusions thereon :

1st. That early in the present century the supply of silver from the mines of the world greatly predominated, being in the proportion of about 3 of silver to 1 of gold.

2nd. That, on the other hand, from the year 1848, *and for twenty years thereafter, the supply of gold greatly augmented and largely exceeded that of silver.*

3rd. That during recent years the supply of gold has fallen off very much, viz., from about £33,000,000 *in* 1852 *to* £19,000,000 *per annum at the present time, while the supply of silver has augmented considerably.*

4th. That at the present time, however, the supply of silver does not equal that of gold, the yield being about £14,000,000 *of silver to less than* £19,000,000 *of gold.*

Your Committee, consequently, became impressed with the conviction that the recent fall in the price of silver cannot be attributed to excessive production. After further mature deliberation, they adopted the following Resolution :—

> *That the recent great fall in the price of silver is principally to be attributed to the suspension of its free mintage in France and the States of the Latin Union, consequent upon the adverse action of Germany in demonetizing silver.*

To this Resolution there was one dissentient.

At this stage of their enquiry it seemed to be incumbent on your Committee to ascertain, and put on record their conclusions as to the means by which silver had, for so long a period previous to the year 1875, been kept, with very unimportant oscillations, in such a relation to gold as to make it possible to speak of a par of exchange between the two metals; and the following Resolution was adopted by them as expressing the result of their deliberations under this head :—

> *That the bi-metallic system of France and the other states of the Latin Union, in conjunction with free mintage, prior to* 1875, *tended to produce an equilibrium between the two metals, and to give stability to all exchanges between silver-using countries and England.*

Your Committee, having thus arrived at clear and strong convictions as to the magnitude of the evil, and the serious consequences to our commerce and industries, resulting from the discrediting of silver by the nations of Europe; having ascertained also what they believe to be the real cause which has brought about the discrediting of silver as money; and having recognized the beneficial action of the French bi-metallic system so long as it was in operation, then proceeded to the con-

sideration of the last, but most important, branch of this enquiry, namely—

III.—WHAT REMEDIAL MEASURES OUGHT NOW TO BE ADOPTED SO THAT SILVER MAY AGAIN PERFORM, INTERNATIONALLY, ITS PROPER FUNCTION AS MONEY.

The following Resolutions contain the result of their deliberations under this head, and it is especially to these in their important bearing on the present state of this monetary question, and to their effect on Indian finance, and on the trade of England, that the Committee desire to call the attention of the Council:—

1st. That a fixed ratio between gold and silver, in conjunction with unlimited freedom of mintage and the recognition of the two metals as full legal-tender money, would, if adopted by the majority of the leading monetary powers, including England and India, be adequate to restore silver to its former international value as money.

2nd. That it is desirable that our Government should adopt measures for securing an International Agreement, by which silver may be restored to its legitimate share in providing metallic currency sufficient for the wants of the world.

In order to give practical effect to their conclusions your Committee unanimously recommend that the result of their investigations, together with the resolutions adopted, shall, without loss of time, be placed in the hands of Her Majesty's Ministers.

Your Committee would, in conclusion, refer to the fact, that nearly all the Members of your Special Committee attended the meetings with regularity, and were deeply impressed with a sense of the great importance of this enquiry. They desire also to place on record the almost absolute unanimity with which resolutions so weighty have been adopted. At the commencement of their investigations much aversion was manifested against adopting conclusions which so directly impugn the wisdom of our monetary legislation of 1816, by which gold was made sole legal-tender money in England. If the free mintage system of France had not been suspended, and if monetary legislation on the Continent of Europe had not been made, like our own, directly adverse to the use of silver as money in the

world, your Committee would not have been called on to consider the wisdom or unwisdom of our own position. The necessity of the case, however, has compelled us to face the question in all its bearings. Natural antipathy and aversion have yielded to conviction, and your Committee would here mention the fact, that several of their number who at the outset were disinclined to the remedial measures which were ultimately recommended, became at last their warmest supporters. Your Committee are aware that the remedy proposed is not generally believed to be in harmony with the opinions which have for many years prevailed in England. They are persuaded, however, that if thoughtful men throughout the country will deliberately, and without prejudice, consider the whole question, connected as it is with the long-continued mercantile and manufacturing distress, their conclusions will eventually come to be, in most instances, in consonance with those of your Committee.

STEPHEN WILLIAMSON,* *Chairman,*
and Vice-President of the Chamber.

21st March, 1879.

* Now M.P. for St. Andrews, &c.—A. C. T.

THE LEADING PROPOSITIONS

OF

BI-METALLISM,

Compiled from the works of

HENRI CERNUSCHI, EMILE DE LAVELEYE,
ROBERT BARCLAY CHAPMAN, SAMUEL SMITH,
HENRY HUCKS GIBBS, ERNEST SEYD,
S. DANA HORTON, &c.

APPENDIX X. TO THE WHOLE WORK.

The Leading Propositions of Bi-metallism.

I.

Metallic money is either (1) valid, *i.e.*, of unlimited legal-tender power or which cannot be refused in payment of any amount; or (2) subsidiary, *i.e.*, of legal-tender power only up to a certain amount, and intended for use in making small payments.

Valid money is that portion of the stock of precious metals belonging to a state which has been devoted to monetary uses by being coined (*i.e.*, formed into a certain shape and stamped with a distinguishing mark), and by being endowed with a fictitious value and an enforced currency—a *fictitious* value, because all coin bears a legal value higher than its intrinsic value (though in some cases only slightly so); a *forced* currency, because all subjects of the State are compelled to receive these coins at their legal instead of their intrinsic value.

II.

Valid money has always consisted in all civilized states of one or other or both of the precious metals, gold and silver; and it is practically certain that it will always so consist.

III.

The stock of valid money of any state may therefore be—

(1) At its maximum, the amount of *both* gold and silver possessed by the state;

(2) At its minimum, the amount of *either* gold or silver possessed by the state.

IV.

A bi-metallic state is one which uses *both* the precious metals as valid money, and a mono-metallic state is one which uses only one metal.

V.

If all the states were bi-metallic, they would necessarily have a larger stock of valid money to use than if they were mono-metallic.

VI.

It is necessary for prosperity (1) that the stock of valid money should be large and capable of increase; and (2) that it should be of very stable value both relatively as regards its two components if it be bi-metallic, and absolutely as regards itself if it be mono-metallic.

VII.

This stability is far better secured where bi-metallism prevails: (1) because there being a larger stock of valid money, ordinary variations in demand and supply produce a smaller effect on the value of that stock; (2) because the variations in value of each metal have a natural tendency to neutralize one another. They cannot synchronise, and a rise in value of one is always the effect of a fall in the value of the other. The prices of commodities, measured in valid money, will therefore fall or rise less than if only one metal were employed.

VIII.

Bi-metallism, therefore, secures (1) a larger stock of valid money, and (2) greater stability in the value of the standard.

IX.

As money is the creation of law, *i.e.*, the value of all valid money is fixed by law, and as the value of the precious metals depends almost entirely on their use as money—for if they were demonetized, their value would sink enormously—and not in the arts, it is perfectly possible to fix the relative value of the two precious metals, gold and silver; and it has been found in practice that 1 to 15½ is the best ratio.

X.

As long as silver is freely exchangeable for gold at the treasuries of two or three great commercial powers in the ratio

so fixed, *it* is impossible that its price should be anywhere either above or below that fixed (except the cost of transmission, &c.); for (1) if silver were scarce anywhere, and its price tended to rise, the rise would be checked by the knowledge that silver could be obtained for gold at the treasuries of these powers; and (2) if silver were plentiful anywhere, and its price tended to fall, the fall would be checked by the knowledge that gold could be obtained for silver at the above treasuries.

XI.

No one would give either more or less silver than the fixed ratio when he knew that he could obtain that fixed price at any moment in many different places. This is proved by the fixity maintained in the value of silver for 70 years, from 1803 to 1873, while France was bi-metallic and coined silver freely.

XII.

The present fall in the value of silver is due, not to the laws of supply and demand, *i.e.*, to greater production and smaller demand, but entirely to changes in monetary legislation, and chiefly to the closing of the mints of the Latin Union against the free coinage of silver since 1872.

XIII.

Silver is as suitable as gold for the coinage, even of rich nations, as, owing to banks, clearing-houses, &c., metallic money is not required for transmission, but merely as a reserve at the banks to secure the convertibility of their paper issues.

XIV.

No discoveries of either silver or gold can ever render the ratio of 15½ to 1 impossible, as silver and gold retained the same relative value, when, as in 1800, fifty times the weight of silver to that of gold was produced, and also when as in 1850 only 4½ times the weight of silver to that of gold was produced. Greater variations in production than this are not likely to occur.

XV.

It is not "debasing the currency" or "defrauding the holders of gold" to alter the relative value of gold to silver from 18 to 1 to 15½ to 1; because the lowered value of silver has been caused artificially and by legislation, and its restoration to its natural value is therefore not a legislative interference with a natural change, but an attempt to remedy by legislation a fall in price which has been caused by legislation. It is doing justice to all those who made contracts before 1873, *i.e.*, to the vast majority of persons. Only those who made contracts after 1873 could be adversely affected by it, and they entered into the contracts with their eyes open, well knowing that silver might at any time recover its value. It would be a far greater injustice to artificially retain silver at a lower price than its natural one, merely to avoid affecting contracts of recent date.

XVI.

As all holders of silver or of silver securities, who purchased before 1873, and all receivers of fixed incomes in silver, have already lost considerably during the last eight years, while the holders of gold and receivers of gold salaries have gained both, without any fault or foresight of their own, it would be more equitable now to restore the usual value of silver, and bring things back to the state they were in before 1873.

XVII.

The purchasing power of gold has been artificially increased by the demonetization of silver: for when France was bimetallic, the more silver was coined in France, the less gold was needed there, and more gold was therefore available for England, where it was consequently cheaper than it is now that silver coinage has ceased in France.

XVIII.

The increased price of gold has already caused a scarcity of money in England: the prices of agricultural produce and of manufactures have consequently gone down, while wages have not yet been affected. The farmer and the manufacturer, therefore, obtain less for their productions, while the cost of pro-

duction is the same. The margin of profit is, therefore, smaller in all cases, and in some has disappeared altogether; farms are, therefore, vacant, and manufactories closed which might be flourishing were money less dear. This can only be effected by increasing the amount of valid money in the country, *i.e.*, by recognizing silver as valid money.

XIX.

England being the greatest commercial nation, and being gold mono-metallic in Great Britain and silver mono-metallic in India, is the greatest loser of all by the present depreciation of silver, and for the sake of her commerce, and of the injury to India which will react on it, she should consent to any measure which will rehabilitate silver, even to the extent of substituting bi-metallism for the single gold standard.

XX.

In case of war, no country would break the conditions of a bi-metallic union, for she would suffer most if she did. If she had to suspend specie payments, it would not interfere with the bi-metallic system; for when she resumed payment, it would be in accordance with that system. Bonds and other commercial engagements are not repudiated during war, nor would the bi-metallic agreements be broken; for the interest of each state would be to adhere to them.

XXI.

Money may be represented by instruments having no intrinsic value, and is an instrument for the transfer of value, which value must be measured by a standard. The standard measure of value is fixed, and can only be altered by legislation, whereas the instruments of exchange (money, &c.) are variable. Money proper or valid money is made of the substance of the standard, and has unlimited legal-tender power.

XXII.

Subsidiary or representative money may be of any substance, and possesses value only on account of its convertibility into

valid money. It has only a limited legal-tender power, which is derivative, not inherent.

XXIII.

Valid money is alone capable of permanently storing value, and of transporting it from one country to another. Subsidiary money cannot do this; it can only set off value existing in one country against value existing in another.

XXIV.

The object of a standard measure of value is to regulate all contracts subject to the standard, when expressed in money. Money and the instruments representing money are only the instruments by which value is hoarded, transported, or exchanged according to the standard.

XXV.

The durable fixity in the relative value of gold and silver continued till 1873: (1) because while it prevailed no considerable change took place throughout the world in the national standards of value; and (2) because the French monetary law of 1803 provided for the constant optional exchange of the two metals in a fixed ratio.

XXVI.

The disturbance of that fixity since 1873 is due to the substitution of gold for silver as the standard measure of value in Germany, followed by the closure of the mints of the Latin Convention to silver and the withdrawal of the optional interchange of gold and silver which had previously been allowed within the limits of the Convention.

XXVII.

The disturbance in the values of gold and silver must be due to one of five causes:

(1) If the value of gold is unchanged, the value of silver must have fallen.

(2) If the value of silver is unchanged, the value of gold must have risen.

(3) Or both of these may have happened, *i.e.*, the value of silver may have fallen and the value of gold may have risen.

(4) The value of *both* metals may have risen, but gold more than silver.

(5) The value of *both* metals may have fallen, but silver more than gold.

It is now certain that the 4th is the real reason, viz., that *both* gold and silver have risen in value since 1873; but that gold has risen more than silver, *i.e.*, that both the gold and silver prices of commodities are lower now than in 1873, but that gold prices have decreased more than silver prices.

XXVIII.

The two practical advantages of the adoption of an international bi-metallic standard measure of value are:

(1) The fluctuations of exchange between the moneys of different countries would be confined within narrow limits, and would be practically limited to the charges for freight and insurance.

(2) The standard measure of value would gain immensely in stability, which is its most essential quality.

XXIX.

In order that there may be no substantial fluctuations of exchange between two or more countries, the one and only thing needful is that they shall measure value by one standard, whatever that standard may be.

XXX.

It is highly desirable that all nations should measure value by one standard, and the common interests require that no important nation should alter its standard measure of value without the consent of the rest.

XXXI.

Gold and silver are used for three principal purposes:

(1) Hoarding or storing value, as money or bullion.

(2) Current or active money.

(3) Manufacture, in arts or industries.

XXXII.

The use of the precious metals for active money creates but a small demand upon the stock, because the volume of active money does not fluctuate or grow.

XXXIII.

The value of the precious metals is therefore wholly dependent upon their use for storing value.

XXXIV.

Money proper of all kinds is used for *storing* value. Passive money differs from active money only because it is stored for a longer period.

XXXV.

Representative instruments such as bills, notes, &c., can perform all the duties of active money, and often more conveniently than metallic money itself; but they cannot discharge the functions of passive money, because they are ineffectual for prolonged storing.

XXXVI.

The efficiency of the precious metals for storing value does not depend chiefly on their intrinsic qualities, but to a large extent upon the common consent of mankind. Their intrinsic efficiency for storing value (and therefore their intrinsic value) consists only in their superior fitness to store value permanently as compared with other substances. Their value rests on human laws, and may be destroyed by human laws.

XXXVII.

Legislation can deprive either of the precious metals of the greater part of their value by causing their disuse as money, and so incapacitating them for the duty of storing value. Conversely the value of either metal can be increased by law, and their relative value can, therefore, within wide limits, be fixed or defined.

XXXVIII.

There are four methods of enforcing a bi-metallic standard measure of value :—

(1) The surrender by each country, by international agreement, of the right to make any change in its existing standard—the present silver countries keeping silver as their standard, and the gold countries keeping gold.

(2) The general adoption as a standard of an electron or amalgam of gold and silver in fixed proportions.

(3) The endowment of either gold or silver with legal-tender power only when accompanied by a fixed proportion of the other metal.

(4) The French method, by which the coinage of silver and gold is unrestricted, and both metals are endowed with legal-tender power at a fixed ratio. This last is the only practical method as yet ascertained.

The last is the only practicable method.

XL.

Value should be measured throughout the world by a common standard.

This standard should, by international agreement, be secured against disturbance by any single nation. The best, because the most stable, standard would be the French bi-metallic standard, *i.e.*, the optional payment of debts in gold or silver at a fixed ratio.

This ratio should be that of the French Monetary Law of 1803, viz., 15½ to 1.

XLI.

Subsidiary money of all kinds, whether in paper or metal, should be regulated as carefully as valid money, and must be convertible on demand into valid money.

There should be not only one standard measure of value, but a common unit of such standard; *i.e.*, the coins of each country should contain the same weight of fine metal, or at least multiples of that weight. The decimal sub-division of money should be introduced.

ANALYSIS.*

* The Table of Contents at the beginning of the volume was printed with the first Part before the remainder of the Book was published, and could not therefore be paged. I have accordingly thought it better to add here an Analysis of the Book with the pages inserted. The Analysis is fuller than the Table of Contents.—A. C. T., 30-10-81.

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